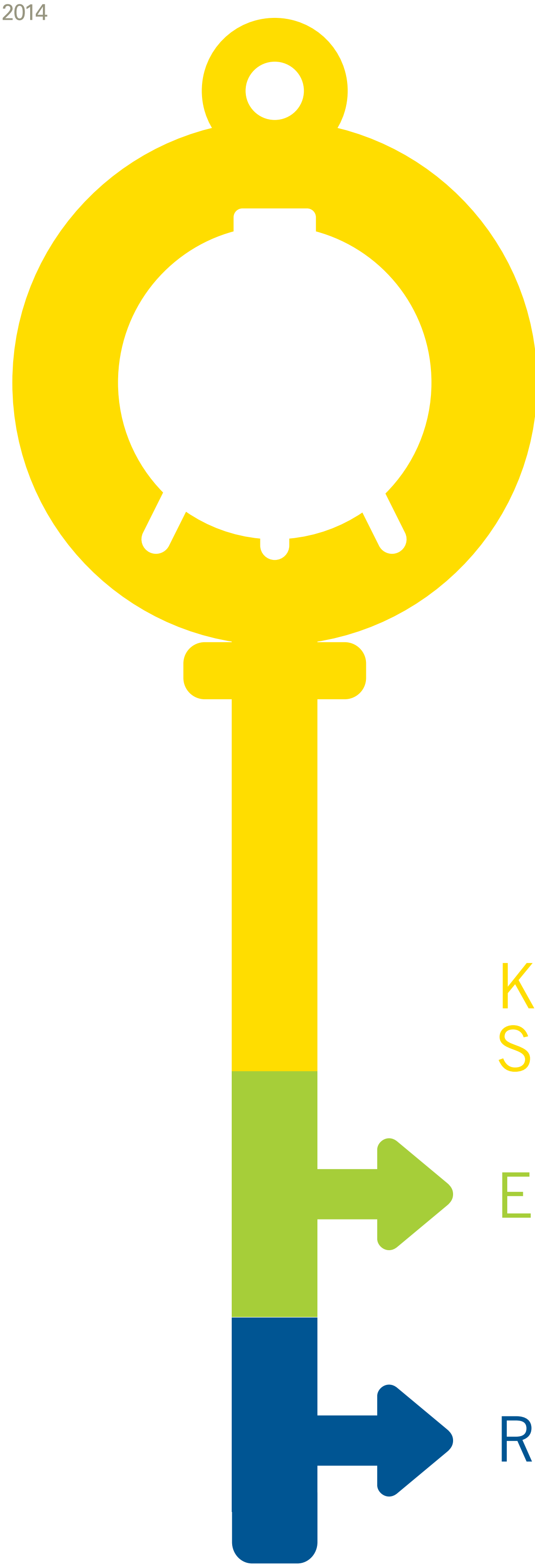
ENN 新奥

ENN Energy Holdings Limited

(Stock code: 2688)

ANNUAL REPORT 2014



KEY TO SUSTAINABLE

ENVIRONMENT

RETURNS

ENN = ENERGY + INNOVATION

Leveraging on our solid foundation of energy distribution, we strive to reach new heights through strategic business development, sound execution ability, provision of innovative energy solutions, and prudent acquisition strategy.

We are committed to becoming an international clean energy distributor, creating values to our customers and maximizing returns to our shareholders.

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Wang Yusuo (Chairman)
Cheung Yip Sang (Vice Chairman)
Yu Jianchao
Han Jishen (President)
Wang Dongzhi (Chief Financial Officer)

Non-executive Directors

Wang Zizheng
Jin Yongsheng
Lim Haw Kuang

Independent Non-executive Directors

Wang Guangtian
Yien Yu Yu, Catherine
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn

Company Secretary

Wong Chui Lai *CPA*

Authorised Representatives

Yu Jianchao
Wang Dongzhi

Members of the Audit Committee

Yien Yu Yu, Catherine* *CFA*
Wang Guangtian
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*

Members of the Remuneration Committee

Yuen Po Kwong*
Jin Yongsheng
Wang Guangtian
Yien Yu Yu, Catherine *CFA*
Ma Zhixiang
Law Yee Kwan, Quinn *CPA*

Members of the Nomination Committee

Wang Yusuo*
Jin Yongsheng
Wang Guangtian
Yien Yu Yu, Catherine *CFA*
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*

Registered Office

Ugland House
P.O. Box 309
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George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of Business in Hong Kong

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No. 89 Queensway
Hong Kong

Head Office in The PRC

Building A, ENN Industrial Park
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Economic and Technological
Development Zone
Langfang City
Hebei Province
The PRC

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company
(Cayman) Ltd
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Limited
Rooms 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Exchange Listing

The Stock Exchange of Hong Kong Limited

Stock Code

2688

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor One Pacific Place
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Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
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Central
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Principal Bankers

Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China (Hong Kong)

Website

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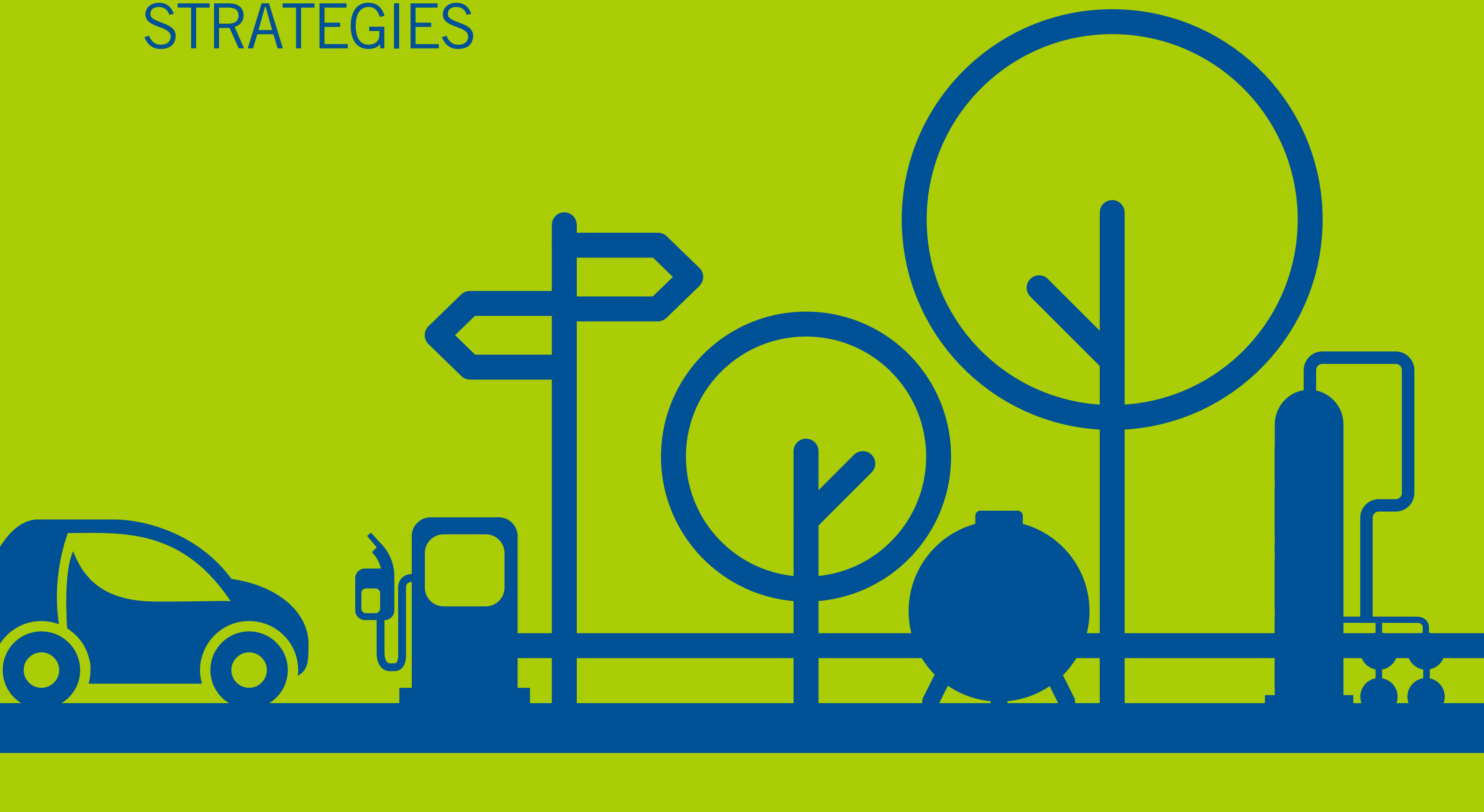
* Chairman of the relevant Board committees

OUR MISSION

INNOVATING CLEAN ENERGY, IMPROVING LIVING ENVIRONMENT, ENHANCING THE QUALITY OF LIFE.

WELL-DEFINED BUSINESS STRATEGIES



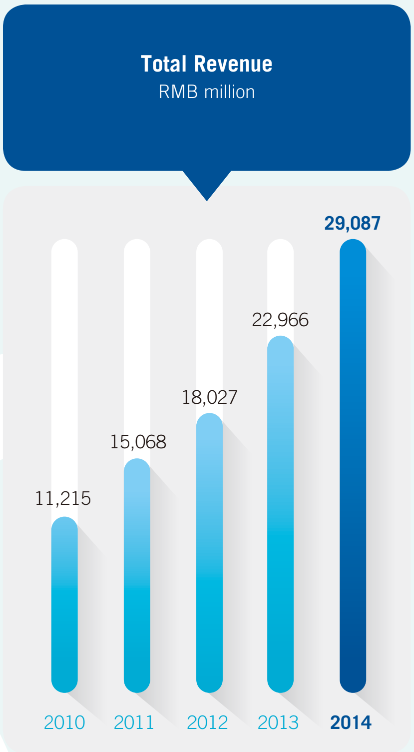

EXPAND CITY-GAS BUSINESS
EXPAND GAS USAGE AS TRANSPORTATION FUEL
DEVELOP DISTRIBUTED ENERGY PROJECTS
CONDUCT ENERGY TRADING TO REAP SYNERGY

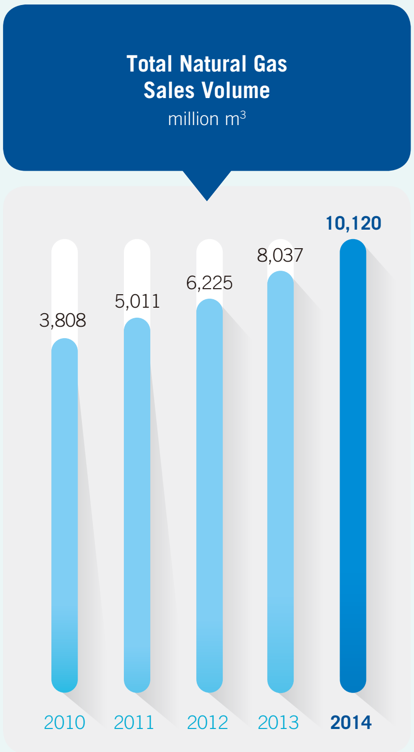
Results of the Year

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.

Seizing this opportunity, the Group will leverage on its strengths to adapt to any market changes and meet customers' needs.

WANG Yusuo
Chairman





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 RMB29,087 million and RMB2,968 million respectively, representing increases of 26.7% and 137.1% over last year. Earnings per share increased by 136.2% to RMB2.74. 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.

The Group's natural gas sales volume for the year of 2014 grew by 25.9% to 10,120 million cubic metres as compared with last year. During the year, the Group completed piped natural gas connection for 1,322,723 residential households and 8,660 commercial/industrial ("C/I") customers (with total installed designed daily capacity of 8,317,243 cubic metres). On the other hand, the Group continued to develop vehicle gas refuelling station business actively. During the year, 18 CNG refuelling stations and 61 LNG refuelling stations were built and put into operation. As of the end of 2014, the Group operated a total of 286 and 241 CNG refuelling stations and LNG refuelling stations respectively. The Group's operating and financial performances were in line with the targets initially set in the year.

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 efficient 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.

Strategic Planning

While considering the future development strategy, the Group will also review the current operation by taking into account the market development and changes of relevant policies in order to develop a suitable investment strategy and allocate more resources to the downstream core businesses.

During the year, in order to better allocate its resources and focus on expanding the downstream core businesses, the Group decided to dispose of its interests in the LNG processing plants in Qinshui, Beihai and Ningxia. Under the first state-owned enterprise pilot reform project that introduces private capital, the Group acquired an equity interest in Sinopec Marketing Company Limited ("Sinopec Marketing") and made the payment in February 2015. The transaction strengthened the cooperation between the two parties and offered an opportunity for both to further develop clean energy businesses leveraging on their competitive advantages, so as to create a win-win situation. On the other hand, the Group acquired the vehicle gas refuelling station business in North America during the year. North America has abundant natural gas resources and enjoys huge market potential in the gas refuelling sector. With years of experience in operating refuelling stations and outstanding execution ability, the Group expanded its geographical coverage, diversified its operational risks and defined a new growth driver through the acquisitions. During the year, the Group also agreed to invest in the Shanghai Oil & Gas Exchange Centre Company Limited ("the Shanghai Oil &

Gas Exchange Centre"), which was jointly founded by Xinhua Zhongrong Investment Co., Ltd. under Xinhua News Agency, three leading oil companies and several city-gas companies. By investing in the national trading platform, the Group helps promote the liberalization of natural gas pricing in China and is able to keep abreast of market information, underpin its influence in the industry and drive the growth of energy trading business which can enhance its bottom line. At the same time, the Group took advantage of the global LNG price weakness and imported 60,000 tons of LNG for the first time. Received at the Rudong Terminal in Jiangsu, the batch was mainly used to supplement the gas supply of the Group's gas projects and

LNG refuelling stations. The Group will continue to monitor the global LNG prices and import LNG when appropriate so as to lower the purchasing costs and strengthen the bargaining power of the Company in terms of securing other gas sources.

Sound Financial Position

The Group's annual capital expenditure consisted of two parts: the first part amounted to RMB3.09 billion, which included the construction costs of pipelines network and infrastructure of city-gas projects, the construction of refuelling stations and new projects acquisition. The Group also acquired vehicle gas refuelling stations in North America at the consideration of US$200 million. On 23 October 2014, the Group issued five-year 3.25% bonds with an aggregate principal value of US$400 million (equivalent to RMB2,460 million) and the interests are paid semi-annually. The net proceeds were used to finance the acquisition of approximately 1.12% equity interest in Sinopec Marketing and for general use, including but not limited to working capital. As of 31 December 2014, the Group's total debts amounted to RMB14,500 million, and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB10,503 million. The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 27.5%. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure and working capital requirements.

International Awards

In 2014, with stable performance growth and enhanced management, the Group received several honours from 2014 All-Asia Executive Team Ranking by Institutional Investor, including "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.

Industry Review and Prospects

Government Policies

As the energy and environmental issues become more prominent, the Chinese government attaches higher importance to environmental protection and efficient use of energy, and more policies encouraging the use of clean energy and optimisation of energy structure were promulgated during the year. In 2014, the Guiding Opinions on Energy Development, Action Plan for the Energy Industry to Strengthen Atmospheric Pollution Prevention, Implementation Rules of Natural Gas Distributed Energy Demonstration Project and Energy Development Strategy Action Plan (2014-2020) were announced to promote the adjustment of energy consumption structure and encourage the use of clean energy, such as natural gas. These policies further identified the objectives and tasks of China's energy development by 2020. In addition, Guiding Opinions on Accelerating the Construction of Gas Storage Facilities, Fair and Open Regulatory Approach of Oil and Gas Pipeline Facilities (Trial) and a series of documents were published to lay down the foundation for the fair competition and market-oriented reform of the natural gas industry. The promulgation and implementation of such policies have fully demonstrated the determination of the Chinese government to encourage the use of clean energy, enhance the efficiency of natural gas use and attract more investment in the natural gas industry. It is believed that under the encouraging and supporting government policies, the growth potential of the gas industry is promising. The Group is well positioned to capture opportunities in the gas industry including the development of distributed energy projects.

Gas Supply

Alongside social and economic development, the Chinese government has been expanding its investment in natural gas infrastructure in recent years, coordinating demand and supply through overseas energy import and domestic production, as well as strengthening energy reserve and peak shaving facilities, as a result, China's natural gas supply has become more adequate.

China constructed 4,000 metres of new natural gas long distance pipelines in 2014. National natural gas pipelines that were put into operation during the year mainly included Line C of the Central Asia-China Gas Pipeline, Duyun, Qinzhou and Qujing branches of China-Myanmar Natural Gas Pipeline, Tianshui branch of the Zhongwei-Guiyang Pipeline, the West section of West-East Pipeline III, Honggu branch of the Sebei-Xi'ning-Lanzhou Natural Gas Pipeline I. As of the end of 2014, natural gas pipelines in China amounted to over 500,000 kilometres in total, of which over 7,000 kilometres were long distance pipelines. The national natural gas pipeline network comprising of West-East Pipeline I, West-East Pipeline II, Sichuan-East Pipeline, China-Myanmar Pipeline, Shaanxi-Beijing Pipeline and Zhong-Wu Pipeline as its core and linked by Lanzhou-Yinchuan Pipeline, Huai-Wu Pipeline and Hebei-Nanjing Pipeline covered 28 provinces (municipalities and autonomous regions) and the Hong Kong Special Autonomous Region. For the LNG import terminals, LNG import terminals in Hainan and Qingdao were built and put into operation in 2014, increasing the number of LNG import terminals in China to 12 with a total receiving capacity of 40.7 million tons per year. In addition, with more discoveries in new gas field and the acceleration of unconventional natural gas exploration, China's natural gas supply will become more diversified with a fair supply and demand equilibrium.

Leveraging the natural gas infrastructure in China, the Group actively explores other energy sources. The Group possesses and manages a massive non-pipeline transportation system (including LNG and CNG transportation trucks) with a maximum one-time transportation capacity of over 20 million cubic metres, making the Group one of the largest onshore gas transporters in China and allowing it to secure more stable gas supply.

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 gas storage and delivery platform and energy management technology. Meanwhile, through the use of information technology 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 users' gas sales, residential gas connection and vehicle/ship refuelling business, investing in Sinopec Marketing will also strengthen our cooperation in the downstream gas sector. The investment in Shanghai Oil & Gas Exchange Centre will also allow the Group to obtain more first-hand market information and enhance its brand influence. The Group will proactively promote the growth of natural gas distributed energy business, the sales 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.

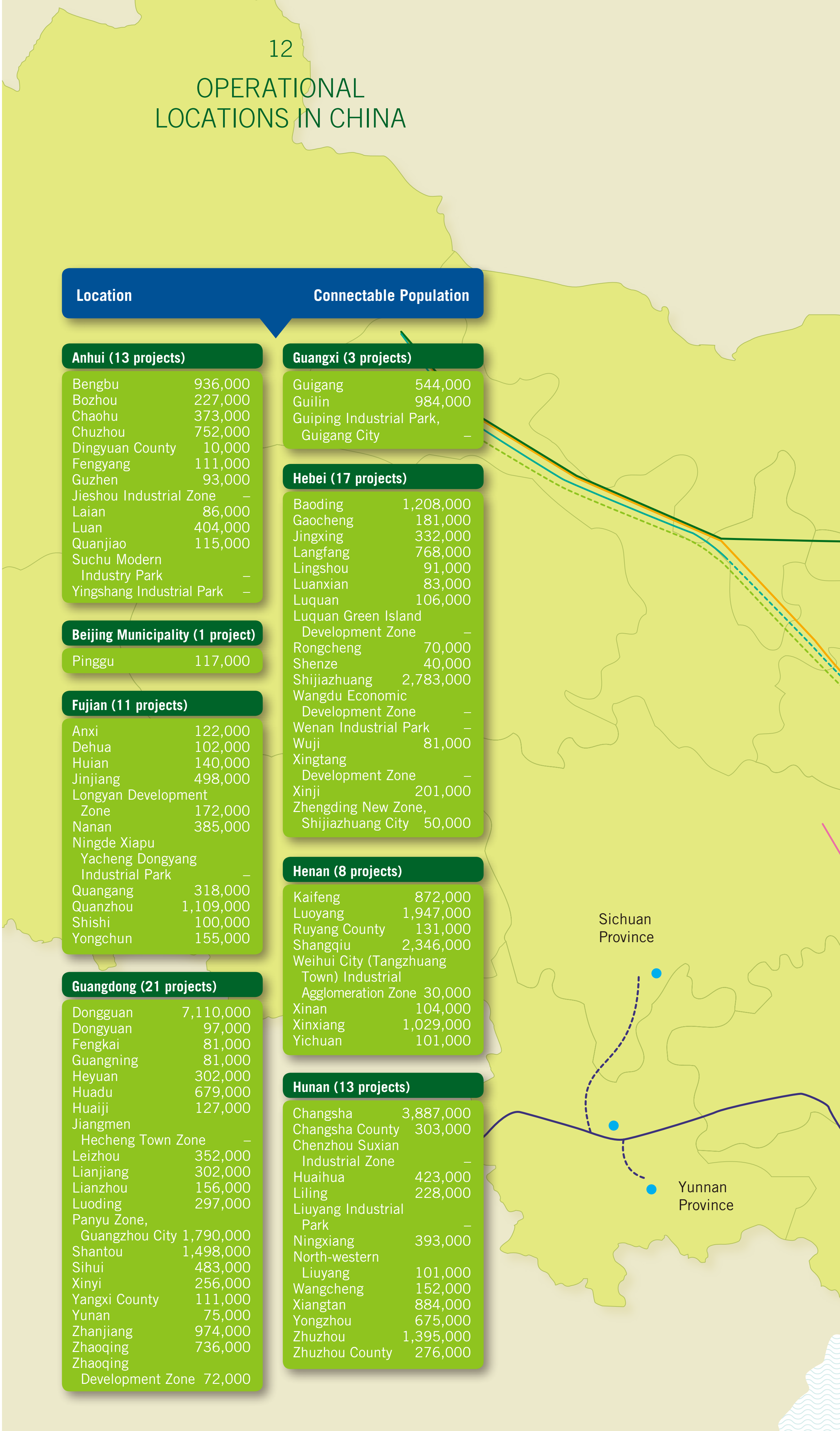
Acknowledgement

The Group's consistent and rapid growth is attributed to the continuous support from its customers, business partners, shareholders and its staff. On behalf of the board, I would like to express my most sincere gratitude to each of them.

Wang Yusuo
Chairman

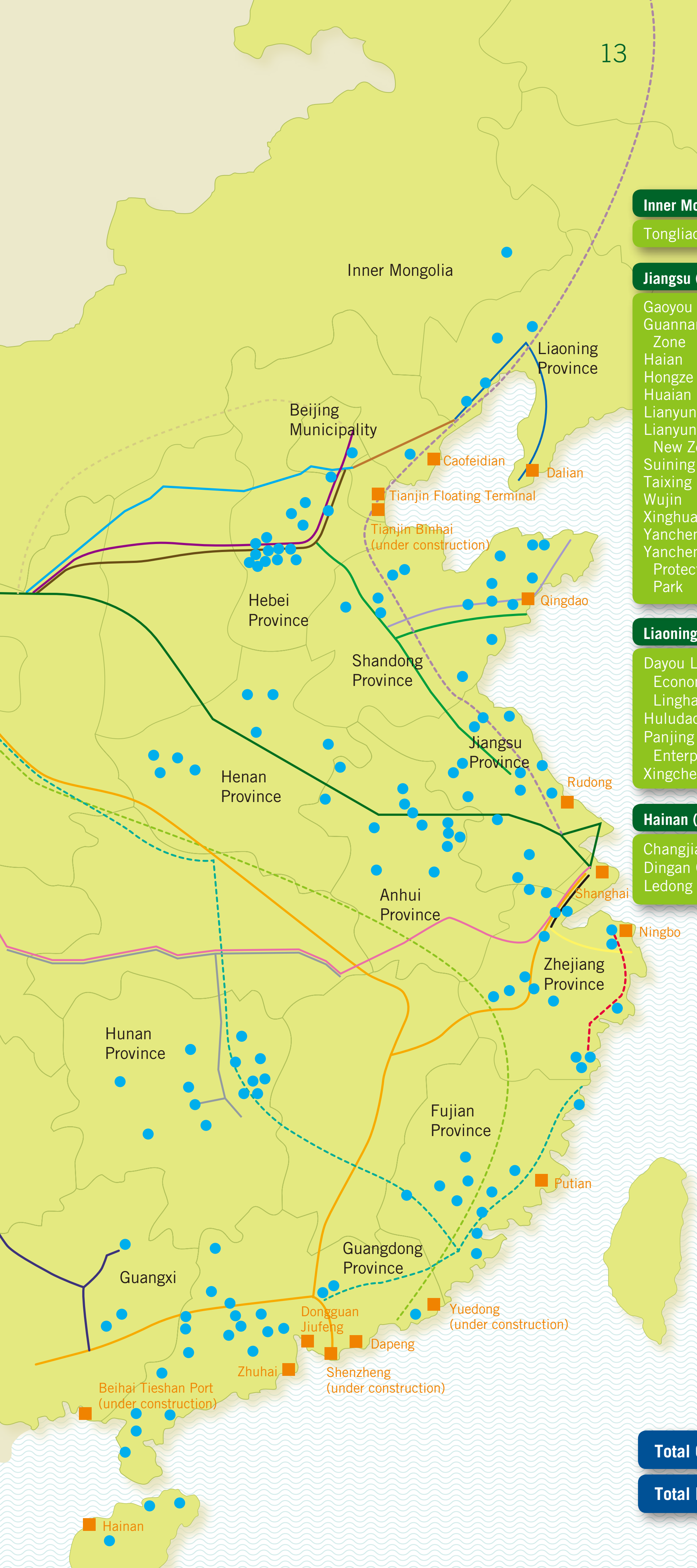
27 March 2015

OPERATIONAL LOCATIONS IN CHINA



- West-to-East Pipeline I
- West-to-East Pipeline II
- West-to-East Pipeline III (under construction)
- Shaanxi-Beijing Pipeline I
- Shaanxi-Beijing Pipeline II
- Shaanxi-Beijing Pipeline III
- Shaanxi-Beijing Pipeline IV (under construction)
- Hebei-Nanjing Pipeline
- Zhong-Wu Pipeline
- Yong-Tang-Qin Pipeline
- Qin-Shen Pipeline
- Sichuan-East Pipeline
- Tai-Qing-Wei Pipeline
- Hangzhou-Jiaxing Pipeline
- Hu-Hang-Yong Pipeline
- Yong-Tai-Wen Pipeline (under construction)
- China-Myanmar Pipeline
- China-Russia East Pipeline
- Xinjiang-Guangdong-Zhejiang Coal to Gas Pipeline (under construction)
- Gas Project Managed by ENN
- LNG Import Terminal

Location	Connectable Population
Anhui (13 projects)	
Bengbu	936,000
Bozhou	227,000
Chaohou	373,000
Chuzhou	752,000
Dingyuan County	10,000
Fengyang	111,000
Guzhen	93,000
Jieshou Industrial Zone	–
Laian	86,000
Luan	404,000
Quanjiao	115,000
Suchu Modern Industry Park	–
Yingshang Industrial Park	–
Beijing Municipality (1 project)	
Pinggu	117,000
Fujian (11 projects)	
Anxi	122,000
Dehua	102,000
Huian	140,000
Jinjiang	498,000
Longyan Development Zone	172,000
Nanan	385,000
Ningde Xiapu Yacheng Dongyang Industrial Park	–
Quangang	318,000
Quanzhou	1,109,000
Shishi	100,000
Yongchun	155,000
Guangdong (21 projects)	
Dongguan	7,110,000
Dongyuan	97,000
Fengkai	81,000
Guangning	81,000
Heyuan	302,000
Huadu	679,000
Huaiji	127,000
Jiangmen Hecheng Town Zone	–
Leizhou	352,000
Lianjiang	302,000
Lianzhou	156,000
Luoding	297,000
Panyu Zone, Guangzhou City	1,790,000
Shantou	1,498,000
Sihui	483,000
Xinyi	256,000
Yangxi County	111,000
Yunan	75,000
Zhanjiang	974,000
Zhaoqing	736,000
Zhaoqing Development Zone	72,000
Guangxi (3 projects)	
Guigang	544,000
Guilin	984,000
Guiping Industrial Park, Guigang City	–
Hebei (17 projects)	
Baoding	1,208,000
Gaocheng	181,000
Jingxing	332,000
Langfang	768,000
Lingshou	91,000
Luanxian	83,000
Luquan	106,000
Luquan Green Island Development Zone	–
Rongcheng	70,000
Shenze	40,000
Shijiazhuang	2,783,000
Wangdu Economic Development Zone	–
Wenan Industrial Park	–
Wuji	81,000
Xingtang Development Zone	–
Xinji	201,000
Zhengding New Zone, Shijiazhuang City	50,000
Henan (8 projects)	
Kaifeng	872,000
Luoyang	1,947,000
Ruyang County	131,000
Shangqiu	2,346,000
Weihui City (Tangzhuang Town) Industrial Agglomeration Zone	30,000
Xinan	104,000
Xinxiang	1,029,000
Yichuan	101,000
Hunan (13 projects)	
Changsha	3,887,000
Changsha County	303,000
Chenzhou Suxian Industrial Zone	–
Huaihua	423,000
Liling	228,000
Liuyang Industrial Park	–
Ningxiang	393,000
North-western Liuyang	101,000
Wangcheng	152,000
Xiangtan	884,000
Yongzhou	675,000
Zhuzhou	1,395,000
Zhuzhou County	276,000



Inner Mongolia (1 project)	
Tongliao	771,000

Jiangsu (13 projects)	
Gaoyou	213,000
Guannan Development Zone	150,000
Haian	193,000
Hongze	383,000
Huaian	1,719,000
Lianyungang	960,000
Lianyungang Xuyu New Zone	–
Suining Suburban Project	–
Taixing	240,000
Wujin	1,028,000
Xinghua	603,000
Yancheng	907,000
Yancheng Environmental Protection Industrial Park	–

Liaoning (4 projects)	
Dayou Linhai Economic Zone, Linghai City	20,000
Huludao	992,000
Panjing Chemical Enterprises Zone	–
Xingcheng	134,000

Hainan (3 projects)	
Changjiang County	130,000
Dingan County	103,000
Ledong County	140,000

Shandong (15 projects)	
Binzhou Zhanhua Economic Development Zone	–
Changqing Zone, Jinan City	645,000
Chengyang	651,000
Huangdao	531,000
Jiaonan	397,000
Jiaozhou	412,000
Laiyang	302,000
Liaocheng	580,000
Qingdao Sino-German Ecopark	–
Rizhao	401,000
Xintai City Development Zone	–
Yantai	1,819,000
Yantai Development Zone	–
Zhucheng	475,000
Zouping	196,000

Sichuan (1 project)	
Liangshan Prefecture	602,000

Yunnan (2 projects)	
Kunming City Hi-tech Zone	40,000
Wenshan	447,000

Zhejiang (16 projects)	
Haining	228,000
Haiyan	102,000
Huangyan	607,000
Huzhou	492,000
Jinhua	149,000
Lanxi	131,000
Longwan	352,000
Longyou	126,000
Nanxun	493,000
Ningbo (Yinzhou)	536,000
Ningbo Daxie Development Zone	–
Quzhou	351,000
Wenzhou	–
Wenzhou Wanquan Light Industrial Base	–
Xiaoshan	690,000
Yongkang	231,000

Total Connectable Population:	**65,375,000**
Total Number of Project :	**142**

14

PROJECT OPERATIONAL DATA

Operational location		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Province	Project			
Anhui	Bengbu	2002	482.5	2
	Bozhou	2003	265.6	1
	Chaohu	2003	219.7	2
	Chuzhou	2002	532.5	2
	Dingyuan County	2013	–	–
	Fengyang	2005	198.0	–
	Guzhen	2007	3.9	–
	Jieshou Industrial Zone	2012	36.0	–
	Laian	2006	111.6	–
	Luan	2003	228.8	1
	Quanjiao	2007	112.0	–
	Suchu Modern Industry Park	2013	–	–
	Yingshang Industrial Park	2014	–	–
Beijing	Pinggu	2001	139.0	1
Fujian	Anxi	2011	26.5	2
	Dehua	2003	117.6	1
	Huian	2006	79.7	–
	Jinjiang	2006	296.5	1
	Longyan Development Zone	2012	8.0	1
	Nanan	2006	141.1	1
	Ningde Xiapu Yacheng Dongyang Industrial Park	2013	–	–
	Quangang	2008	57.1	–
	Quanzhou	2006	451.0	5
	Shishi	2006	118.2	–
	Yongchun	2009	17.6	–
Guangdong	Dongguan	2003	1,584.5	4
	Dongyuan	2013	13.0	–
	Fengkai	2010	2.7	–
	Guangning	2010	5.8	–
	Heyuan	2013	34.5	–
	Huadu	2010	276.3	1
	Huaiji	2010	12.5	–
	Jiangmen Hecheng Town Zone	2012	–	–
	Leizhou	2013	10.4	–
	Lianjiang	2013	13.0	–
	Lianzhou	2010	3.0	–
	Luoding	2010	14.4	–
	Panyu Zone, Guangzhou City	2011	212.6	4
	Shantou	2004	147.7	4
	Sihui	2009	77.9	1
	Xinyi	2010	5.4	–

Daily capacity of existing natural gas stations ('000 m^3)	Accumulated number of piped gas (including natural gas) customers			Number of vehicle gas refuelling stations
	Residential households	Commercial/industrial customers (sites)	Installed designed daily capacity for commercial/industrial customers (m^3)	
2,800	203,774	757	862,618	15
113	77,920	363	117,013	5
210	113,352	463	351,648	4
600	141,689	923	575,192	6
–	–	–	–	–
–	16,386	85	242,146	1
–	–	3	21,000	–
–	–	–	6	2
–	25,205	121	229,960	–
480	128,400	416	256,648	6
–	40,987	177	83,564	–
–	–	–	–	–
–	–	–	–	–
300	35,035	238	312,549	1
1,976	7,443	18	9,920	–
2,680	7,908	317	285,226	–
–	27,092	119	523,200	–
1,340	57,554	649	3,695,039	1
896	–	3	4,600	–
660	23,867	164	1,294,074	1
–	–	–	–	1
–	1,183	14	418,941	–
620	90,192	525	273,549	17
–	19,904	280	261,252	–
–	562	57	57,125	–
3,932	360,947	3,590	3,674,946	24
–	2,477	7	6,900	–
–	2,499	2	21	–
–	1,399	4	33,500	–
–	14,095	30	16,620	–
540	111,779	478	386,807	1
–	2,775	3	760	–
–	–	–	–	–
–	18	3	36	–
–	–	–	–	–
–	1,188	13	21,250	–
–	2,846	14	18,980	–
1,272	102,114	583	290,309	1
200	57,090	217	190,933	1
36	11,662	114	556,710	–
–	622	2	260	–

Operational location		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Province	Project			
	Yangxi County	2014	7.4	–
	Yunan	2011	11.9	–
	Zhanjiang	2004	328.5	2
	Zhaoqing	2008	199.1	1
	Zhaoqing Development Zone	2005	97.3	1
Guangxi	Guigang	2004	132.7	2
	Guilin	2004	341.8	3
	Guiping Indstrial Park, Guigang City	2011	–	–
Hainan	Changjiang County	2014	–	–
	Dingan County	2014	–	–
	Ledong County	2014	–	–
Hebei	Baoding	2013	136.0	0
	Gaocheng	2012	–	–
	Jingxing	2011	15.3	–
	Langfang	1993	558.7	4
	Lingshou	2012	3.4	–
	Luanxian	2009	7.6	1
	Luquan	2004	61.8	1
	Luquan Green Island Development Zone	2012	–	–
	Rongcheng	2011	19.9	–
	Shenze	2012	21.1	–
	Shijiazhuang	2002	969.5	1
	Wangdu Economic Development Zone	2014	–	–
	Wenan Industrial Park	2012	–	–
	Wuji	2012	5.8	–
	Xingtang Development Zone	2012	–	–
	Xinji	2012	6.2	–
	Zhengding New Zone,[8] Shijiazhuang City	2011	–	–
Henan	Kaifeng	2003	748.9	2
	Luoyang	2006	1,409.2	3
	Ruyang County	2013	5.4	2
	Shangqiu	2004	253.0	1
	Weihui City(Tangzhuang Town) Industrial Agglomeration Zone	2012	7.2	–
	Xinan	2007	169.7	2
	Xinxiang	2002	559.6	1
	Yichuan	2009	24.0	1
Hunan	Changsha	2003	1,842.4	8
	Changsha County[6]	2010	–	–
	Chenzhou Suxian Industrial Zone	2013	–	–

Daily capacity of existing natural gas stations ('000 m³)	Accumulated number of piped gas (including natural gas) customers			Number of vehicle gas refuelling stations
	Residential households	Commercial/industrial customers (sites)	Installed designed daily capacity for commercial/industrial customers (m³)	
–	–	–	–	–
–	1,060	4	920	–
380	124,086	555	467,799	6
2,514	57,941	260	343,830	5
100	5,605	106	376,115	–
1,160	50,587	144	44,042	1
1,717	151,376	432	108,042	6
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	294,803	670	783,255	1
–	–	–	–	–
–	9,757	14	29,463	–
988	243,482	1,609	1,256,592	9
–	2,444	9	11,938	–
1,200	1,008	23	178,540	–
1,800	43,397	36	45,753	–
–	–	7	4,854	–
–	6,411	20	5,144	–
–	1,660	2	1,650	–
876	833,949	1,342	2,644,888	27
–	–	–	–	–
–	–	–	–	–
–	2,134	14	18,649	–
–	224	6	13,200	–
–	120	–	–	–
–	–	–	–	–
1,040	242,837	1,298	429,282	5
1,060	430,827	919	1,808,637	19
1,590	295	130	295,600	–
580	131,207	500	397,188	7
–	2,264	8	11,319	–
1,350	17,862	38	376,712	–
560	276,840	1,147	1,004,895	8
30	1,771	13	218,460	0
3,658	1,246,356	5,423	3,750,890	22
–	–	–	–	–
–	–	–	–	–

Operational location		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Province	Project			
	Huaihua	2010	55.8	1
	Liling	2012	–	–
	Liuyang Industrial Park	2013	48.0	–
	Ningxiang	2011	136.6	1
	North-western Liuyang	2013	–	–
	Wangcheng	2011	–	–
	Xiangtan	2003	413.0	3
	Yongzhou	2011	48.0	1
	Zhuzhou	2003	525.8	1
	Zhuzhou County[7]	2010	–	–
Jiangsu	Gaoyou	2001	137.5	3
	Guannan Development Zone	2014	11.7	–
	Haian	2002	278.9	2
	Hongze	2011	96.0	1
	Huaian	2002	716.5	2
	Lianyungang	2003	608.7	2
	Lianyungang Xuyu New Zone	2013	–	–
	Suining Suburban	2013	20.8	–
	Taixing	2002	254.8	2
	Wujin	2003	1,273.2	3
	Xinghua	2002	212.3	2
	Yancheng	2002	789.5	4
	Yancheng Environment Protection Industrial Park	2011	58.4	–
Liaoning	Dayou Linhai Economic Zone, Linghai City	2011	39.8	1
	Huludao	2000	383.8	3
	Panjing Chemical Enterprises Zone	2012	–	–
	Xingcheng[3]	2002	–	–
Inner Mongolia	Tongliao	2004	166.6	1
Shandong	Binzhou Zhanhua Economic Development Zone	2013	13.7	0
	Changqing Zone, Jinan City	2011	–	–
	Chengyang	2001	488.0	3
	Huangdao	2001	442.3	3
	Jiaonan	2003	308.1	1
	Jiaozhou	2003	415.9	1
	Laiyang	2002	218.9	1
	Liaocheng	2000	448.6	5
	Qingdao Sino-German Ecopark	2012	–	–
	Rizhao	2002	321.0	1
	Xintai City Development Zone	2013	–	–

Daily capacity of existing natural gas stations ('000 m³)	Accumulated number of piped gas (including natural gas) customers			Number of vehicle gas refuelling stations
	Residential households	Commercial/industrial customers (sites)	Installed designed daily capacity for commercial/industrial customers (m³)	
120	29,381	133	34,548	2
–	–	–	–	–
–	1,634	74	60,163	–
720	25,963	315	115,859	1
–	–	–	–	–
–	–	–	–	–
1,800	265,138	1,565	520,265	8
960	6,488	45	38,300	0
1,020	399,055	2,523	1,803,905	4
–	–	–	–	–
2,322	66,068	292	100,823	1
–	1,463	–	–	1
216	61,395	444	391,911	2
888	16,565	73	157,839	–
580	270,158	780	942,559	9
675	241,566	928	804,687	6
–	32	5	5,184	–
–	–	3	1,800	–
396	77,022	445	434,459	2
3,050	219,032	2,932	1,953,319	8
1,150	57,733	281	125,395	3
1,650	256,219	1,292	670,598	6
–	–	–	–	–
60	9,838	60	61,701	0
1,350	232,881	589	336,256	7
–	–	–	–	–
–	–	–	–	–
60	122,938	195	60,978	3
–	6,159	18	45,701	–
–	–	–	–	4
600	217,681	614	954,034	9
5,530	196,691	518	1,557,527	5
837	118,090	194	441,592	5
420	136,681	606	664,636	6
150	68,515	329	204,057	3
2,958	185,623	910	1,060,552	5
–	–	–	–	–
300	156,197	361	354,139	3
–	–	–	–	–

Operational location		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Province	Project			
	Yantai	2004	764.5	7
	Yantai Development Zone[(4)]	2001	–	–
	Zhucheng	2001	315.3	2
	Zouping	2002	184.2	1
Sichuan	Liangshan Prefecture	2013	–	–
Yunnan	Kunming City Hi-tech Zone	2011	25.5	2
	Huaihua	2010	39.6	1
Zhejiang	Haining	2002	415.9	2
	Haiyan	2008	35.1	1
	Huangyan	2005	143.5	–
	Huzhou	2004	478.8	2
	Jinhua	2003	133.3	2
	Lanxi	2003	89.3	–
	Longwan	2004	0.9	–
	Longyou	2009	102.5	3
	Nanxun[(5)]	2009	–	–
	Ningbo	2007	424.8	2
	Ningbo Daxie Development Zone	2015	–	–
	Quzhou	2002	226.7	3
	Wenzhou	2003	106.5	1
	Wenzhou Wanquan Light Industrial Base	2012	–	–
	Xiaoshan	1994	411.8	1
	Yongkang	2005	190.0	1
Other project				
Shanghai (CNG)			–	–
Shanghai (LPG)			–	–
Shanghai (DME)			–	–
Other gas refuelling station project			44.8	–
Total			**27,065.0**	**149**

Notes:

(1) Some operational locations are operated by two companies to separate the pipelines construction business and gas distribution business. The combined data of the companies in each operational location is shown in this table.

(2) Existing pipelines consist of intermediate pipelines and main pipelines.

(3) The project in Xingcheng is operated by Huludao ENN Gas Company Limited. The operational data is included in Huludao.

(4) The project in Yantai Development Zone is operated by Yantai ENN Gas Company Limited. The operational data is included in Yantai.

Daily capacity of existing natural gas stations ('000 m³)	Accumulated number of piped gas (including natural gas) customers			Number of vehicle gas refuelling stations
	Residential households	Commercial/industrial customers (sites)	Installed designed daily capacity for commercial/industrial customers (m³)	
1,296	389,728	1,008	1,311,008	15
–	–	–	–	–
543	123,902	302	462,822	3
600	42,723	125	548,727	3
–	–	–	–	–
460	2,666	45	113,620	7
100	8,454	13	1,088	1
396	61,679	474	633,284	3
240	1,269	99	295,098	3
–	37,536	180	167,271	1
648	106,418	978	621,698	8
210	57,662	264	208,610	3
–	22,922	185	208,697	–
–	606	6	7,500	–
1,164	9,860	76	66,680	–
–	–	–	–	–
130	123,039	551	410,721	4
–	–	–	–	–
280	72,645	404	352,292	5
120	21,426	120	193,827	3
–	–	–	–	–
200	184,228	548	456,609	5
160	21,362	306	579,857	–
–	–	–	–	5
–	–	–	–	28
–	–	–	–	1
–	–	–	1	123
73,617	**10,604,598**	**47,689**	**50,243,155**	**527**

(5) The project in Nanxun is operated by Huzhou ENN Gas Company Limited. The operational data is included in Huzhou.

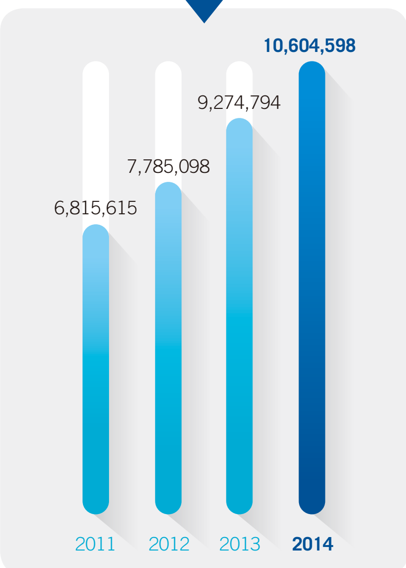
(6) The projects in Changsha County and Wangcheng are operated by Changsha ENN Gas Company Limited. The operational data is included in Changsha.

(7) The project in Zhuzhou County is operated by Zhuzhou ENN Gas Company Limited. The operational data is included in Zhuzhou.

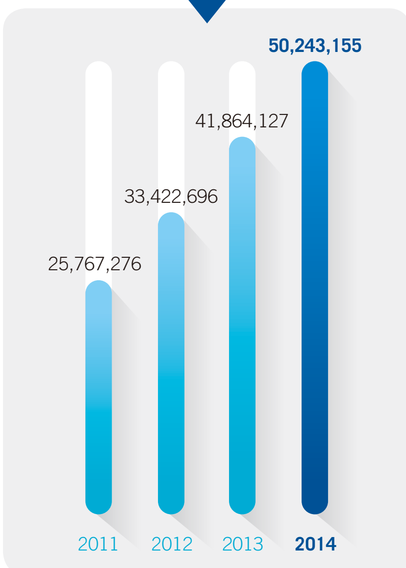
(8) The project in Zhengding New Zone, Shijiazhuang City is operated by Shijiazhuang ENN Gas Company Limited. The operational data is included in Shijiazhuang.

OPERATIONAL HIGHLIGHTS

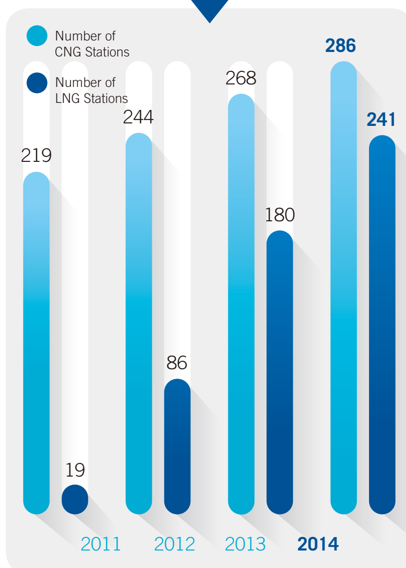
Accumulated Number of Connected Residential Customers
Households



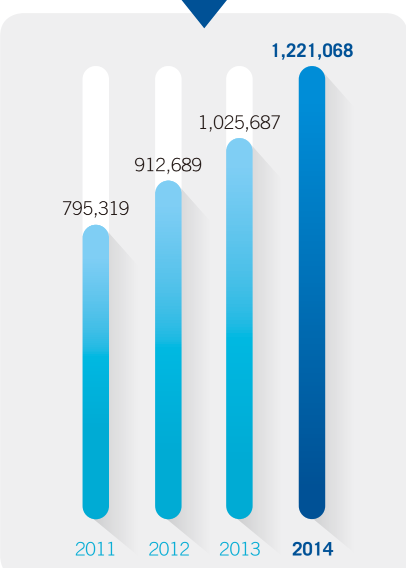
Accumulated Number of Connected Commercial/ Industrial Customers
Installed designed daily capacity m^3



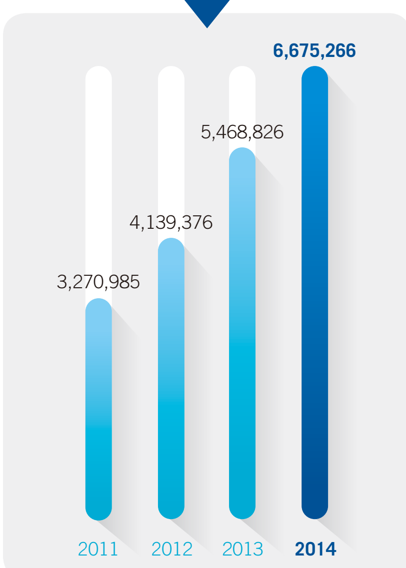
Number of Vehicle Gas Refuelling Stations



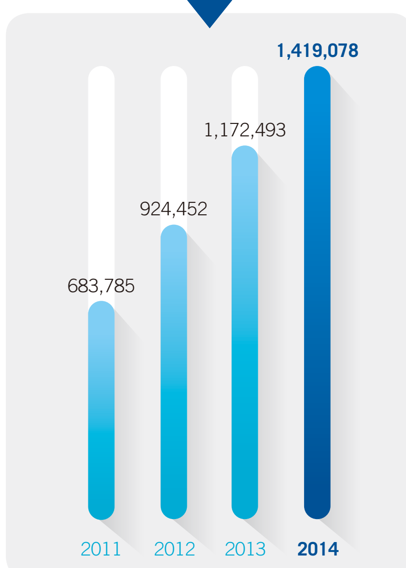
Units of Natural Gas Sold to Residential Households
'000m^3



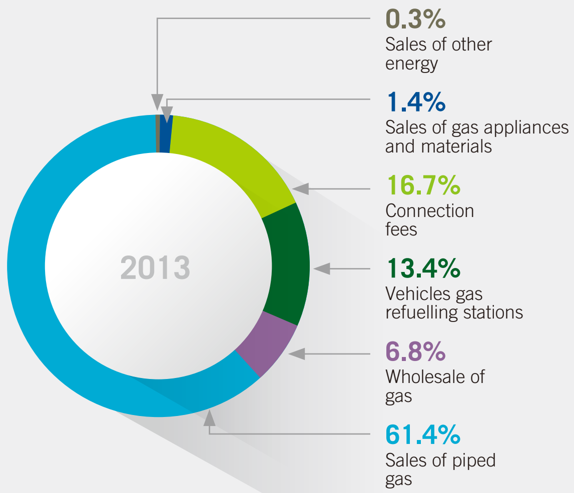
Units of Natural Gas Sold to Commercial/Industrial Customers
'000m^3

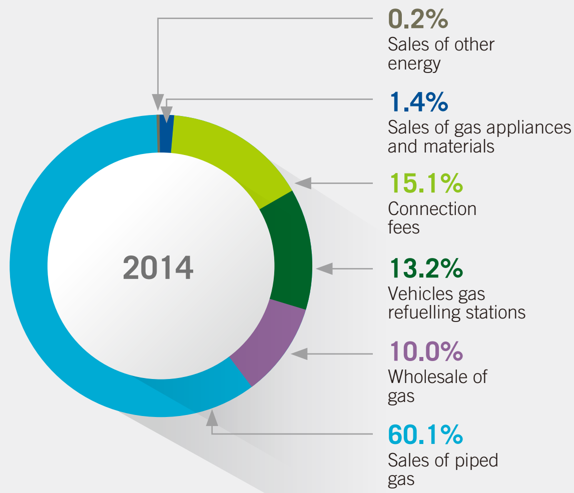


Units of Natural Gas Sold to Vehicles
'000m^3



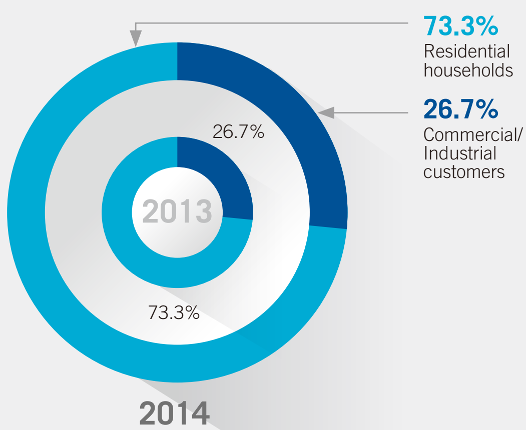
Turnover Breakdown by Segment



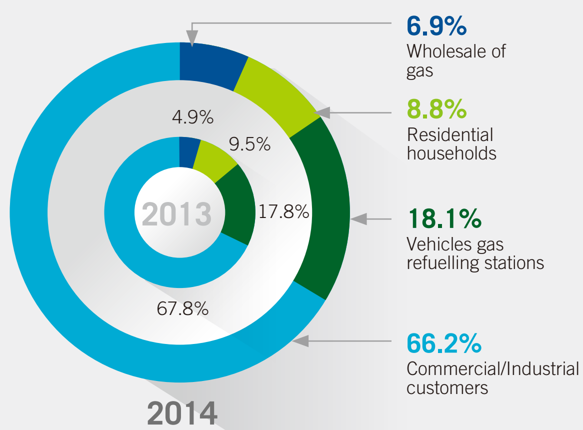


Turnover Breakdown by Customer

Connection Fees



Sales of Gas



COMPARISON OF TEN-YEAR RESULTS

	2014	2013	2012	2011
Highlights (Group)				
Number of connected households (piped gas)	**10,604,598**	9,274,794	7,785,098	6,815,165
Installed designed daily capacity for commercial/ industrial customers (piped gas) (m^3)	**50,243,155**	41,864,127	33,422,696	25,767,276
Units of piped gas sold				
Residential households ('000 m^3)	**1,225,825**	1,030,054	930,290	824,276
Commercial/industrial customers ('000 m^3)	**6,676,785**	5,538,164	4,345,314	3,591,898
Vehicles gas refuelling stations ('000 m^3)	**1,441,323**	1,186,697	935,926	696,442
Wholesale of gas ('000 m^3)	**804,160**	370,019	248,536	260,928
Length of existing pipelines(1) (km)	**27,065**	23,907	21,312	18,854
Number of existing natural gas processing stations	**149**	137	126	115
Daily capacity of existing natural gas processing stations (m^3)	**73,617,000**	58,088,000	46,176,000	32,003,000
Revenue & Profit (RMB million)				
Revenue	**29,087**	22,966	18,027	15,068
Profit before tax	**4,747**	2,760	2,852	2,327
Income tax expense	**(1,127)**	(960)	(859)	(660)
Profit for the year	**3,620**	1,800	1,993	1,667
Non-controlling interests	**(652)**	(548)	(511)	(414)
Profit and total comprehensive income for the year attributable to owners of the Company	**2,968**	1,252	1,482	1,253
Dividends	**720**	414	362	315
Assets & Liabilities (RMB million)				
Non-current assets	**23,715**	21,006	18,137	15,517
Associates	**882**	804	798	694
Joint Ventures	**3,436**	2,998	2,271	1,733
Current assets	**15,002**	11,097	9,687	8,944
Current liabilities	**(13,540)**	(10,869)	(11,614)	(9,520)
Non-current liabilities	**(14,954)**	(13,144)	(8,609)	(8,528)
Net assets	**14,541**	11,892	10,670	8,840
Capital & Reserves (RMB million)				
Share capital	**113**	113	113	110
Reserves	**11,985**	9,430	8,540	6,936
Equity attributable to owners of the Company	**12,098**	9,543	8,653	7,046
Non-controlling interests	**2,443**	2,349	2,017	1,794
	14,541	11,892	10,670	8,840
Earnings per share – basic (RMB)	**2.74**	1.16	1.39	1.19

(1) Length of existing pipelines consists of intermediate pipelines and main pipelines.

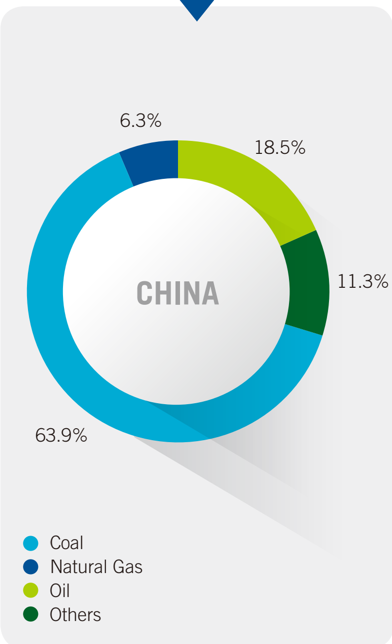
2010 (Restated)	2009 (Restated)	2008	2007 (Restated)	2006	2005
5,618,583	4,706,663	3,745,145	3,167,800	2,458,735	1,793,216
18,175,160	13,486,437	9,518,438	7,594,338	5,023,652	2,495,479
640,597	520,170	420,880	359,991	299,806	198,488
2,765,488	2,031,242	1,816,947	1,596,608	927,255	255,859
520,438	388,420	334,031	180,889	100,684	17,192
222,833	–	–	–	–	–
16,340	14,126	12,584	11,301	9,234	7,268
100	94	90	83	74	64
23,970,000	14,638,000	14,378,000	14,149,000	13,563,000	8,786,000
11,215	8,413	8,266	5,756	3,397	2,057
1,811	1,383	1,131	815	534	401
(410)	(304)	(260)	(109)	(50)	(39)
1,401	1,079	871	706	484	362
(388)	(276)	(240)	(199)	(104)	(92)
1,013	803	631	507	380	270
297	200	158	127	76	45
12,712	10,542	9,138	8,176	6,329	4,391
488	324	292	386	340	77
1,361	1,016	758	484	296	235
5,079	4,754	4,354	3,504	3,070	2,852
(7,489)	(5,364)	(5,428)	(3,957)	(2,699)	(1,683)
(4,611)	(4,844)	(3,697)	(3,932)	(3,467)	(3,112)
7,540	6,428	5,417	4,661	3,869	2,760
110	110	106	106	103	96
5,922	5,007	4,128	3,629	2,954	2,136
6,032	5,117	4,234	3,735	3,057	2,232
1,508	1,310	1,183	926	812	528
7,540	6,427	5,417	4,661	3,869	2,760
0.97	0.78	0.63	0.51	0.41	0.31

Apart from making significant contribution to environmental protection and energy sectors both within and beyond the country, the Group will also maximise the long-term interests of the shareholders, customers, employees, society and the corporate.

Business Review

China's economy maintained a slower yet steady GDP growth of 7.4% in 2014 despite the dramatic changes in global economic landscape, slow recovery of the U.S. and economic uncertainty across Europe. Last year, the NDRC announced the city-gate price adjustment for non-residential users. Effective from 1 September, the city-gate prices in Guangdong Province and Guangxi Autonomous Region increased by RMB0.12 per cubic metre, while the price in other provinces increased by RMB0.4 per cubic metre. In response to the adjustment, the Group immediately

Primary Energy Mix in 2014



initiated price management process and closely communicated with the customers and pricing bureaus to pass through the upstream price increment. A user affordability analysis was also conducted and customers with lower affordability were offered with energy saving and emission reduction solutions to ensure that they could continue to use natural gas at an affordable cost. However, contrary to the upward trend of domestic natural gas price, the sharp decline in global oil prices in the fourth quarter slightly offset the price advantage of natural gas over substitute energy. The Group noticed that some users replaced natural gas with the less expensive substitute energy. Since the Group's projects are primarily located in regions with stricter environmental controls, most of the C/I customers continued to use natural gas so as to meet local emission requirements. In order to actively adapt to the market changes, the Group maintained steady gas sales by optimising customer base and developing more high cost energy-to-natural gas and coal-to-gas customers.

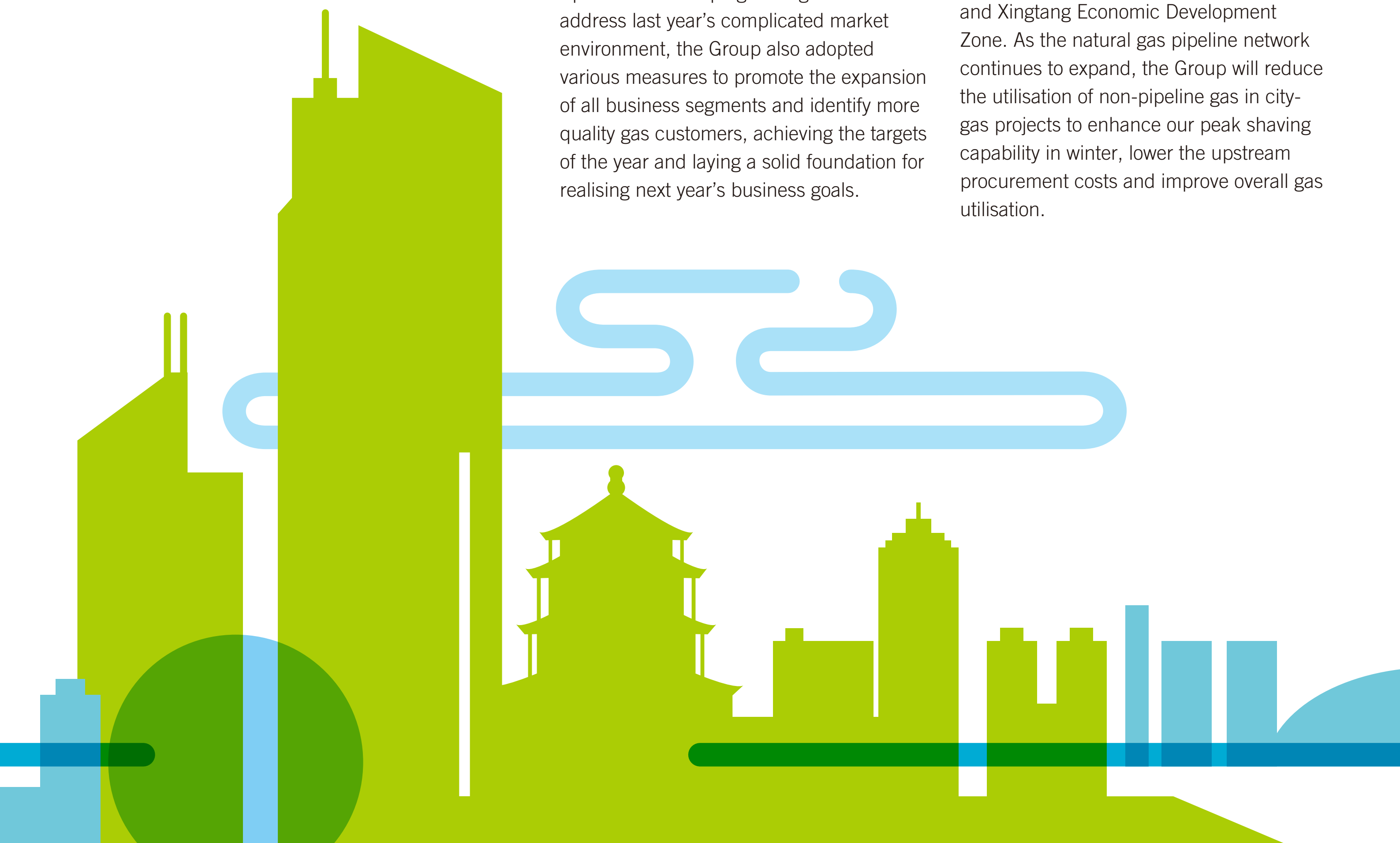
Apart from developing strategies to address last year's complicated market environment, the Group also adopted various measures to promote the expansion of all business segments and identify more quality gas customers, achieving the targets of the year and laying a solid foundation for realising next year's business goals.

City Gas Business

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.



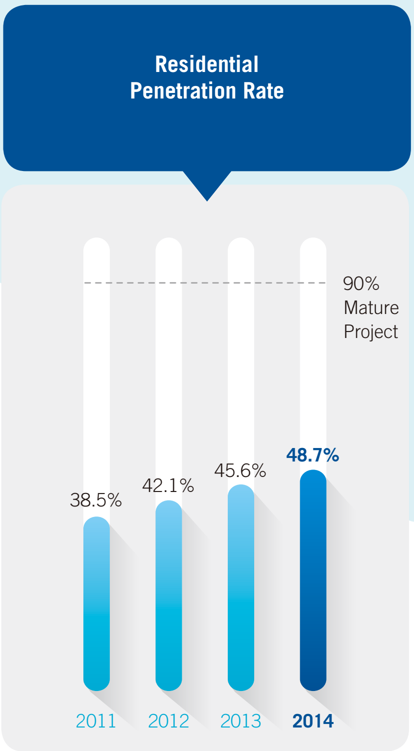
New Customers Development

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 1,329,804 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 LPG is established. Therefore, the Group expects that the natural gas utilisation will continue to grow steadily.



* Penetration rate of projects under ENN coverage

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, 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 that will be managed by existing project companies to further expand its geographic coverage. As of 31 December 2014, the Group had 142 projects in China, with a connectable population coverage of 65,375,000 people.

Projects	The Group's shareholding	Major industry
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

The 36 new concessions nearby existing projects include:

Projects	Operational areas
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 3rd 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.

Expand Gas Usage as Transportation Fuel

Vehicle/Ship Refuelling Business

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.

Development of Distributed Energy Project

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 utilisation 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 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 7 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.

Changsha Huanghua International Airport

The Changsha Huanghua Airport natural gas distributed energy project is funded and operated by Changsha ENN and Broad Energy Services Limited, a joint venture between the Group and the Broad Group, whose shareholdings are 60% and 40% respectively. As the energy hub of the airport, the distributed energy station project is the first successful airport CCHP project in China, providing cooling and heating to the terminals through CCHP and supporting part of the electrical load. The station features advanced facilities, such as gas-fuelled internal-combustion engine and non-electrical exhaust heat recovery system, to achieve the cascade use of energy. Heat generated by natural gas combustion will be converted into high-quality electricity. Heat after power generation in lower temperature will then be reused to provide cooling and heating for the terminals. The station has an overall energy utilisation of over 80% and system energy efficiency of 33%, reducing primary energy consumption of approximately 1,527 tons of standard coal and 3,807 tons of carbon dioxide emission per year. The Changsha Huanghua Airport is an iconic and inspiring project in the distributed energy industry, setting a new benchmark for "low-carbon airport" in China. The project completed grid connection and commenced power generation in July 2013 and the power generation reached 7.45 million kilowatt-hour in 2014.

Yancheng Tinghu Hospital

Located in Tinghu District of Yangcheng, Jiangsu Province, the Yancheng Tinghu Hospital distributed energy system project invested and operated by Yancheng Xinchen ENN Gas Limited is the first distributed energy station grid connection project in the province. Through natural gas combustion, the project can fully support the air-conditioning, heating, cooling and hot water systems in the hospital and share part of the electrical load. With an energy coverage of 84,000 square metres, the project has an overall energy utilisation of up to 83.7%. The primary energy utilisation may improve by 20%, saving 2,832 tons of standard coal and reducing 2,672 tons of carbon dioxide emission per year. The design of the project began in October 2012, followed by the provision of heating, cooling, hot water and steam. Grid connection and trial run were completed in June 2014.

Zhuzhou Shennong City

Situated in Zhuzhou, Hunan Province, the Shennong Zhuzhou City distributed energy project is a large city complex that houses a supermarket, shopping mall, theater and arts centre, shopping street, hotel and apartments with an air-conditioned area of 420,000 square metres. The project achieves the cascade use of energy through the application of distributed CCHP technology, which significantly enhances the system energy efficiency and primary energy utilisation by 22.95%, or saving 4,122 tons of standard coal per year as compared with gas-fuelled heating. The installation of gas-powered generators is currently underway and the project is expected to be put into operation this year.

Major Events

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.

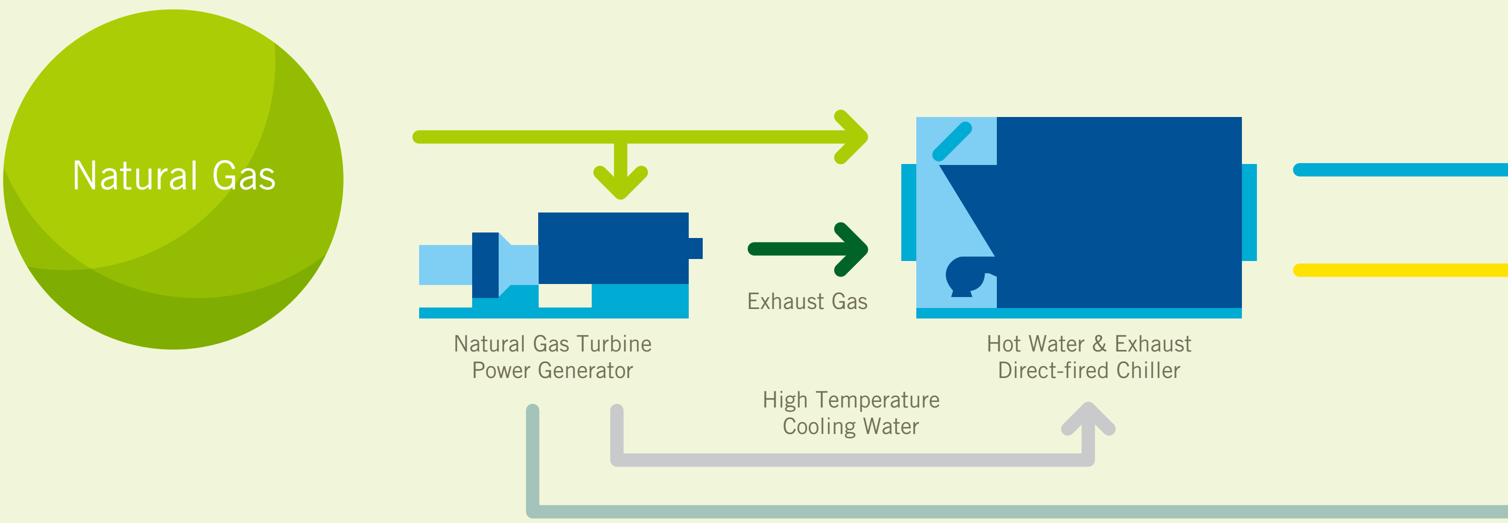
Participation in Sinopec Marketing's Capital Injection

On 14 September 2014, the Group announced that it subscribed for 1.12% equity interest in Sinopec Marketing for an aggregate amount of RMB4 billion. As the only gas distributor participating in the capital injection, the Group's investment in Sinopec Marketing will strengthen the cooperation of both parties, reaping synergy in clean energy sector and creating more benefits and opportunities.

Acquisition of Vehicle Gas Refuelling Stations 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,

Distributed Energy Projects

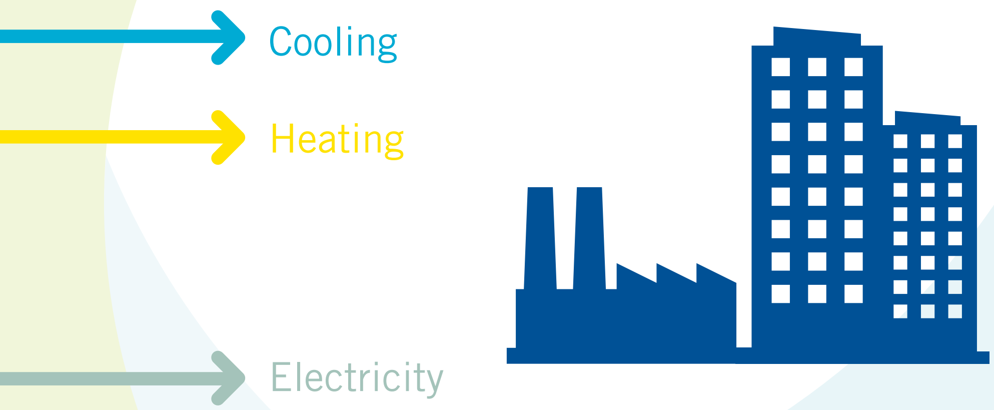


infrastructure, gas refuelling facilities and transportation equipments. The acquisitions were completed in December 2014. ENN US and ENN Canada are primarily engaged in the operation of vehicle gas refuelling stations in the U.S. and Canada and own 29 vehicle gas refuelling stations and 4 vehicle gas 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 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 trading platform in 2015, which will enable the Group to keep abreast of market information, strengthen its influence in the industry and promote the development of its trading business.



Other Businesses

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. The Group also fully assesses a customer's credibility when entering into a contract to ensure timely payment. By joining various natural gas 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 one-time transportation capacity of 20 million cubic metres.

Sales of Other Energy

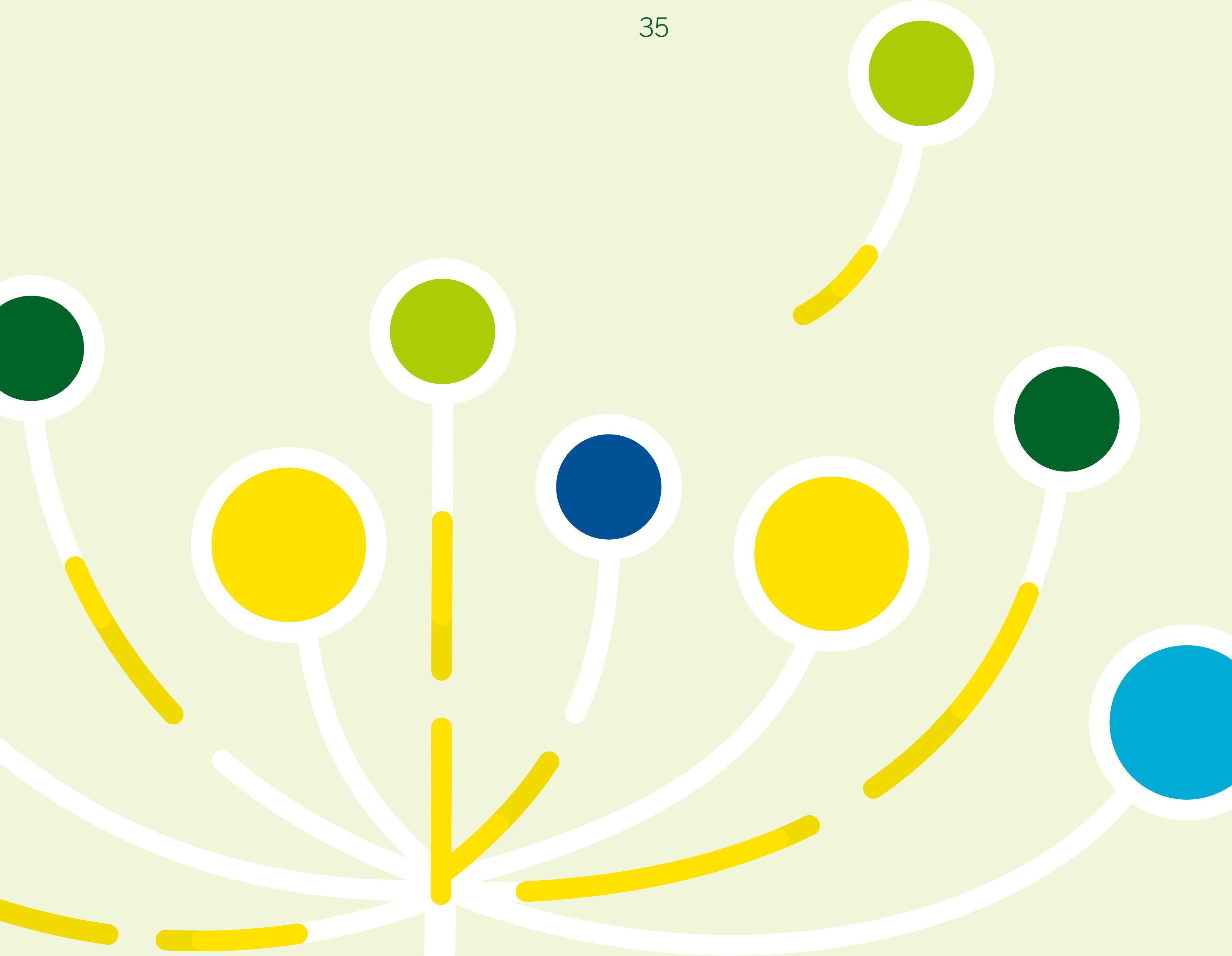
During the year, the Group sold 5,171 tons of LPG (2013: 5,770 tons), decreased by 10.4% over last year.

As the Group continues to phase out the lower-margin bottled LPG business, more resources can be allocated to piped gas projects in order to further enhance both operational efficiency and returns to shareholders.

Sales of Gas Appliances

In addition to offering piped gas connection services to its customers, the Group also continues to sell cooking stoves, water boilers, heaters and stored-value card gas meters. The Group operates its own production plant of stored-value card gas meters and the products are manufactured for the Group's connection business as well as selling to other gas distributors. It can lower the cost of connection, ensure accurate collection of gas usage charges and generate additional revenue for the Group at the same time. Meanwhile, the Group actively promoted its "GREAT" branded gas appliances business during

the period to fully explore the potential of over 10 million existing residential households. Through various innovative marketing and sales initiatives, including the provision of gas appliances in new commercial housing projects, bundles sales, trade-in offers for existing customers and e-commerce channel, the Group accelerated its growth in the gas appliances market and strived to become the leader of branded gas appliances leveraging its brand value, excellent service and market intelligence.



Sales of Materials

The Group conducts bulk purchase of materials for pipelines construction and connection works. Through reselling unused materials procured at low costs, its revenue and profits can be enhanced.

The materials sold by the Group during the year amounted to RMB288 million, representing an increase of 33.3% over last year and accounting for 1.0% of the Group's total revenue.

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.

Financial Resources Review

Key Financial Data

During the year, the Group's total revenue amounted to RMB29,087 million, representing an increase of 26.7% over last year. Revenue attributable to piped gas sales, vehicle gas refuelling business and gas connection increased by 24.0%, 24.8% and 14.6% to RMB17,485 million, RMB3,849 million and RMB4,403 million respectively, while revenue from wholesale of gas, sales of gas appliances and materials, and sales of other energy reached RMB2,898 million, RMB398 million and RMB54 million respectively, representing increases of 86.8%, 22.8% and a decrease of 11.5%.

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: RMB6,822 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% equity interest 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.

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.

Borrowings structure

As at 31 December 2014, the Group's total debts amounted to RMB14,500 million (31 December 2013: RMB12,443 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.

Excellent Management

In order to implement its business strategies effectively and efficiently, and maintain a sustainable competitive advantage built upon safety, efficiency and low cost in the Internet era, the Group endeavours to reduce costs and improve efficiency by utilising internal resources,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exploring new sources of income and controlling costs. The Group also actively promotes management excellence to strengthen corporate basic management and improve governance.

Measurement Management

The Group continued to develop its measurement management system during the period. Measuring instruments were standardised and upgraded to ensure accuracy. Training and professional qualifications for measurement personnel were strengthened to enhance the capabilities and business performance of the team, and improve the accuracy and authenticity of measurement. With these measures, the difference between annual gas purchase and sales dropped by 0.52% to 3.3% as compared with last year.

Cost Management

During the year, the operating costs of selected member companies and the labour costs of individual business units were significantly reduced through achieving targeted cost reduction, streamlining the workforce and organisational structure and improving capital management. Favourable procurement tender negotiations also helped lower the procurement cost. The re-utilisation of inventory and effective use of external logistics resources reduced the Group's inventory and increased the free cash flow. In addition, higher rate external bank loans were substituted to facilitate central management of capital and lower interest expense. As such, the annual operating costs fell by RMB0.04 per cubic metre over last year.

Safety Management

The Group has always regarded safe operation as its top priority and continued to maintain a good record of safe operation in the year, manifesting its belief that "safety is the key to safeguarding lives, enhancing efficiency, maintaining brand reputation and increasing revenue". During the year, the Group conducted safety inspection, standardised construction practices and authorised project managers to address and prevent hidden dangers pursuant to the amended Production Safety Law, so as to continuously establish the health, safety and environmental management system as well as the "3-No" Campaign (no accidents, no personal injuries and no harmful acts to the environment). Accountability was enhanced through optimising the safety management system. The Group also promoted the accreditation of staff responsible for safety to build a professional and competent safety team. Besides, the Group continued to take actions against the "3-Breaches" (i.e. breach of supervision regulations, breach of operation regulations and breach of labour discipline), supervising various hidden dangers and standardising construction works. The Group also promoted the application of safety technology and innovative tools, and encouraged the use of instant messaging applications (e.g. WeChat) to ensure effective and constant improvement in safety management.

Customer Service

Customers are crucial to business growth and meeting the needs of customers has always been the focus of the Group's development strategy. It is the Group's belief that quality customer service is the key for maintaining good and long term relationships between the Company and customers and the bedrock for the Group's sustainable business development. During the period, the Group continued to optimise its service management model through optimising service costs and categorising services. It provided scientific guidance on service cost management to help member companies achieve cost reduction and efficiency enhancement. Innovative customer services were also introduced to encourage member companies to respond to customers' needs using digital applications, such as WeChat, leading to greater customer satisfaction. Anticipating customers' specific needs, the Group provided a range of supporting services, including gas appliances repair and maintenance service and insurance, and succeeded in maintaining a high customer satisfaction of 90%.

All customers were covered by the call centres, which are responsible for handling enquiries and requests about quotation, installation and maintenance. Customers may call the centres to seek advice on addressing minor technical failure or report any emergency case. An automatic pass through mechanism with the hotline 110 was also established to provide one-stop services. In February 2013, the Group's call centres acquired the International Customer Operations Performance Centre (COPC) recognition, making it the first call centre operator in the energy sector in China to receive COPC recognition and the second call centre operator in China to succeed in acquiring COPC recognition in one single application.

During the year, the Group and its member companies continued to gain recognitions and compliments from customers and government authorities, including the honours of "Best Customer Service", "Best Sales Office" and "Outstanding Customer Service Representative" from China Association of Trade in Services, enhancing its positive service image.

Under the Group's unified requirement, all group companies are required to visit customers regularly for safety checks on their gas appliances. These measures, drawing on the concept of "prevention is better than cure", help eliminate customers' worries about potential safety problems, and thus strengthen their confidence in our services.

Human Resources

The Group always regards its staff as its most valuable assets. It believes that maintaining employees' passion and enthusiasm is the key to its advancement, and that employees could provide satisfactory services to customers if they are offered the opportunity of healthy development. It values its talents as the source of its competitiveness and the critical factor for its continued success and future development. Hence, the Group has always attached great importance to talent cultivation and recruitment.

In 2014, the Group continued its efforts in talent development by establishing a talent structure covering different levels and enhancing the competency of its people. Training for operational staff was enhanced through technical skills accreditation for base-level employees and the establishment of technical skills accreditation system for junior, middle and senior base-level members, encouraging its people to acquire the required skills and knowledge. For professional members, qualification accreditation with incentives was fully implemented for employees from marketing, finance, safety, information, administration, strategic performance, customer service, human resources, project management, construction technology, materials, logistics, branding and public relations, and financial investment departments during the year, covering over 96.8% of the Group's workforce. On the other hand, the Group continued to nurture future leaders and strived to enhance their abilities and skills rapidly through special programmes, on-the-job training, mentorship and project-based training, building up the talent pool for the Group's healthy development. The "Long Bench Programme for Chief Engineers" was officially launched to recruit and nurture 33 potential chief engineers for the member companies. A training and development system for university students was also established, complemented by a regional assistant director recruitment and development exercise, to accelerate talent development. Individual member companies and districts also launched distinctive talent development activities targeting university students, such as youth training camps and youth salons.

To better implement its principles of creating and sharing values together and focus on the long-term development, in 2014 the Group continued its incentive mechanism under which EVA became a major value measurement to evaluate the performance target and was directly linked to the year-end bonus.

As at 31 December 2014, the Group employed a total of 27,931 employees, of which 14 were based in Hong Kong. They were remunerated at market level with benefits that include bonus, retirement benefits, professional training and share option scheme.

Corporate Social Responsibility

With a mission of "promoting clean energy, improving living environment, enhancing system efficiency and creating value for customers" and the vision of "striving for excellence and harmony through people-oriental approach", the Group has spared no effort in promoting economic development, environmental protection and charity over the years to achieve the "harmony between energy and environment".

Promoting Economic Development

Upholding business conduct and ethics, operating with integrity and observing tax obligations have been the fundamentals of the Group's economic activities. By maintaining the strong and healthy development of business, it continues to deliver high quality services, create employment opportunities and foster a conducive environment for its people. Its system innovation and standardised operation also promote the industry's orderly development. They not only reflect the Group's economic responsibilities, but are also the prerequisites and cornerstone of its social and environmental obligations.

For over two decades, the Group has closely aligned its growth with China's development strategy. It has experienced sustained growth in business scale, economic benefits, tax payment and workforce, contributing towards the development of regional economy, employment rate and the structural upgrade and adjustment of the industry.

Environmental Protection

Energy, environment and sustainable development are pressing issues needed to be addressed immediately. As a responsible clean energy distributor, the Group strives to promote the use of clean energy, and minimise the impact of growing demand for energy on the environment as the economy advances through technological innovation that improves energy utilisation and efficiency. The Group also constantly explores and develops new approaches and methods for energy diversification and efficiency enhancement, actively researches and innovates clean energy related products, and seeks energy solutions supporting sustainable development to deepen its effort in environmental protection.

With the construction of a city gas distribution network, the Group continues to encourage C/I customers and residential households to replace high-polluting coal and coal gas with clean energy, such as natural gas. It also actively promotes vehicle gas refuelling station and ship refuelling businesses, offering clean energy for urban transportation. In 2014, the Group achieved an aggregate natural gas consumption of 10,120 million cubic metres, or saved (substituted) 12.5 million tons of standard coal, and reduced the emission of carbon dioxide, sulfur dioxide and nitrogen oxides by 13.34 million tons, 300,000 tons and 40,000 tons respectively.

Committed to protecting the environment during the construction and production processes, the Group established a management system based on health, safety and environment (HSE) to incorporate the idea of HSE into every aspect of its production and operation, promoting safety within the Group.

Serving the Community

Dedicated to helping those in need and achieving harmonious coexistence, the Group actively advocates energy saving and environmental protection and supports education. It has launched various community projects, such as greening, school building, motivational programmes and education projects. The Group also plays an active role in charitable activities, such as disaster relief and poverty alleviation efforts.

During the year, the Group's charitable donations amounted to RMB30 million, reflecting its dedication to the community. Among the various CSR projects it initiated were the "ENN • Star of Hope" education campaign that provided scholarship to 12 underprivileged high school students, and the "Seven-Colour Flower" volunteer activity that helped improve the social cognitive ability and practical skills of disabled students from the Fucong Language Training School. Meanwhile, 24 member companies, such as Changzhou ENN, Bengbu ENN and Dongguan ENN, made donations to education campaigns, disaster relief efforts, poverty alleviation programmes and new agricultural village development projects in areas at where their operations are located. By supporting local charitable causes, cultural and sports development and hygiene improvement, they helped build a positive corporate image. The Group also partnered with its member companies in Pingdingshan in Henan, Wenzhou in Zhejiang, Zhucheng in Shandong, Yancheng in Jiangsu, Zhuzhou in Hunan, Huludao in Liaoning, Kunming in Yunnan, Zhuzhou in Hunan, Beihai in Guangxi, Shijiazhuang in Hebei and Langfang in Hebei to co-host the "ENN Charity Day". Adhering to the theme "Low-carbon Living Starts with Me – Let's Work Together for Cleaner Air", the volunteers made a pledge and invited public members to follow. Apart from the interactive Q&A session, promotional materials and souvenirs were also distributed to highlight the importance of preventing and tackling atmospheric pollution, and to encourage public engagement. Through the "ENN Charity Day", the Group hoped that all citizen could become advocates of low-carbon living, green drivers and facilitators of environmental protection.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Yusuo, aged 51, is a cofounder, the Chairman and the Executive Director of the Company. He is responsible for overseeing the Group's overall strategic planning and providing leadership for and overseeing the functioning of the Board. Mr. Wang has over 28 years of experience in the investment and the management of the gas business in the PRC. He holds a PhD qualification in management from the Tianjin University of Finance and Economics. Mr. Wang is currently a committee member of the Twelfth Chinese People's Political Consultative Conference. Mr. Wang is the father of Mr. Wang Zizheng. Mr. Wang is a director and a controlling shareholder of ENN Group International Investment Limited ("EGII"), a controlling shareholder of the Company, the Chairman of ENN Ecoligical Holdings Co., Ltd. (formerly known as Hebei Veyong Bio-Chemical Co., Ltd.(Stock Code:600803)) and Beibu Gulf Tourism Corporation Limited (Stock Code: 603869), whose shares are listed in Shanghai.

Mr. CHEUNG Yip Sang, aged 48, is the Executive Director of the Company and has joined the Group in 1998. On 24 March 2014, Mr. Cheung was appointed as the Vice Chairman of the Company and has resigned from the position as the Chief Executive Officer of the Company on the same day to assist the Chairman for overseeing the Group's overall strategic planning and providing leadership for and overseeing the functioning of the Board. Mr. Cheung graduated from The Chinese People's Armed Police Force Academy in 1990 with a bachelor's degree in Legal Studies and received an executive master's degree in business administration from the Peking University in 2006. Mr. Cheung has extensive experience in corporate governance and the market integration in the public utilities sector. He also has wide exposure in the research and development of the gas industry.

Mr. YU Jianchao, aged 46, is the Executive Director and the Finance Director of the Company and has joined the Group since 1998. He graduated from the Hebei Economics and Finance College in 1993 and obtained an executive master's degree in business administration from the Sino – Europe International Business School in 2005. Prior to joining the Group, he worked as the chief accountant for a number of foreign enterprises, including GSK (Langfang) Co., Ltd. and Nissin Foods Co. Ltd. Mr. Yu has over 26 years of experience in accounting and financial management. Mr. Yu is a director of EGII, which is a controlling shareholder of the Company.

Mr. HAN Jishen, aged 50, is the Executive Director and the President of the Company and has joined the Group in 1993. Since 24 March 2014, Mr. Han took up the overall responsibility for the implementation of the Group's overall strategy, business development and decision-making of important matters. Mr. Han was graduated from Baoding Staff University in 1990 and obtained an executive master's degree in business administration from the Nanyang Technological University in Singapore in 2007. He has over 21 years of experience in the gas fuel industry in the PRC. Mr. Han worked at the senior managerial level for over 16 years at the subsidiary level of the Company and has deep qualifications and extensive experience in marketing research, business development and business management in the gas industry market.

Mr. WANG Dongzhi, aged 46, is the Executive Director and the Chief Financial Officer of the Company responsible for the financial management, implementation of good corporate governance and investor relations management of the Group. Mr. Wang graduated in 1991 with a bachelor's degree in engineering management from the Beijing Chemical University. Mr. Wang obtained a bachelor's degree in economics in 1996, the qualifications of Certified Accountant in the PRC in 2000 and a master's degree in business management from the Tianjin University in 2003. Prior to joining the Group in 2000, Mr. Wang was in charge of the finance department in a Sino-foreign joint venture company. He has extensive experience in financial management. Mr. Wang is also the President of EGII, which is a controlling shareholder of the Company.

Sound Corporate Governance Practices By a Management Team With Foresight

Non-executive Directors

Mr. WANG Zizheng, aged 27, was appointed as the Non-executive Director of the Company on 24 March 2014. Mr. Wang graduated from Shanghai Tongji University in 2013 with a bachelor's degree majoring in urban planning. Mr. Wang has extensive experience in investment, merger & acquisition and operation management of overseas LNG refueling stations. Mr. Wang is the Chairman of EGII. He is the son of Mr. Wang Yusuo.

Mr. JIN Yongsheng, aged 51, is the Non-executive Director of the Company. He graduated from the Tianjin University of Finance and Economics in 1986, majoring in finance, and has obtained an executive master's degree in business administration from the Peking University in 2005. Prior to joining the Group in 1996, he was an assistant professor in the Township and Village Enterprise Cadre College of the Ministry of Agriculture. Mr. Jin is a qualified practicing lawyer in the PRC and has over 25 years of experience in legal practice. Mr. Jin is a director of EGII, which is a controlling shareholder of the Company. He is also the Non-executive Director of CIMC Enric Holdings Limited (Stock Code: 3899), a Hong Kong listed company.

Mr. LIM Haw Kuang, aged 61, graduated from Imperial College, University of London in 1978. He graduated from International Management Institute, Geneva in 1986 with an MBA in International Management. Mr. Lim has been an Independent Non-executive Director of the Company since 26 March 2013 and has been re-designated as a Non-executive Director on 24 March 2014. Mr. Lim has extensive experience in the oil and natural gas business. Mr. Lim joined Shell in Malaysia in 1978 and had served in various capacities in IT, finance, natural gas, exploration and production, oil products, etc in different Shell operations globally. Mr. Lim was appointed as the Executive Chairman of Shell Companies in China in September 2005, a position he held until 1 January 2013. He retired from Shell on 1 March 2013. Mr. Lim has been appointed as an Independent Board Director for Sime Darby Group, a Malaysian conglomerate, since September 2010, and is concurrently the Chairman of the Boards of Sime Darby Energy & Utilities. With effective from 4 March 2013, Mr. Lim has been appointed as a Non-executive Director of BG Group, a global gas major based in the UK. Furthermore, Mr. Lim has also been appointed as an Independent Non-executive Director of Bank Negara Malaysia (the Central Bank of Malaysia), which is set up and owned by the Malaysian Government. Its main purpose is to oversee and supervise the country's banking and financing activities.

Independent Non-executive Directors

Mr. WANG Guangtian, aged 51, is an Independent Non-executive Director appointed by the Company in 2001. He holds a master's degree in world economics from the Hebei University and has over 31 years of experience in financial and administrative management. He is currently the Vice President of Guofu Group and a Director and the General Manager of Guofu (Hong Kong) Holdings Limited. He is also an Independent Non-executive Director of China Oil And Gas Group Limited (Stock Code: 603), a Hong Kong listed company.

Ms. YIEN Yu Yu, Catherine, aged 44, is an Independent Non-executive Director appointed by the Company in 2004. She is currently a managing director of Rothschild (Hong Kong) Limited. She graduated from the Imperial College of Science, Technology and Medicine of University of London in England with a Joint Honours Degree in Mathematics with Management (BScHons). Ms. Yien is a holder of the Chartered Financial Analyst designation and an ordinary member of the Hong Kong Securities Institute. She has extensive experience in the areas of corporate finance, investment, mergers and acquisitions.

Mr. MA Zhixiang, aged 63, was appointed as the Independent Non-executive Director of the Company on 24 March 2014. Mr. Ma has held senior management positions in China Petroleum Pipeline Bureau and PetroChina Company Limited and has resigned from these positions in March 2012. Mr. Ma graduated from School of Mechanics of University of Petroleum (East China) with a doctor's degree in engineering in storage and transportation. Mr. Ma has extensive experience in petroleum and natural gas industry.

Mr. YUEN Po Kwong, aged 46, was appointed as the Independent Non-executive Director of the Company on 24 March 2014. Mr. Yuen is currently a partner of Fangda Partners specialising in dispute resolution and contentious regulatory compliance. Mr. Yuen graduated from Oxford University with an M.A. in Chemistry and from Cornell University with a Master of Science in Synthetic Organic Chemistry. Mr. Yuen then attended College of Law in Guildford, England and obtained his Diploma in Law (with Distinction) and Diploma in Legal Studies. Before becoming a lawyer, Mr. Yuen was a teaching fellow at Cornell University. Prior to joining Fangda Partners to establish its Hong Kong office in 2012, Mr. Yuen was a partner of the "Magic Circle Firms", specialising in resolving China related disputes. Mr. Yuen has extensive experience in regulatory and corporate compliance.

Mr. LAW Yee Kwan, Quinn, JP, aged 62, is a fellow member of HKICPA and currently a member of its Professional Conduct Committee. He is also a fellow member of the Association of Chartered Certified Accountants. At present, Mr. LAW serves as a council member cum audit committee chairman at the Hong Kong University of Science and Technology and a member of Financial Affairs Expert Working Group of University Grants Committee. Mr. Law played significant management roles both in the private and public sector. He held directorship in several listed companies both in Hong Kong and overseas in the past. For the period from March 2008 to February 2013, he was the deputy chairman and managing director of the Urban Renewal Authority, a statutory organization in Hong Kong. Mr. LAW is currently the independent non-executive directors of National Agricultural Holdings Limited (Stock Code: 1236) and HKBN Limited (Stock Code: 1310) respectively, whose shares are listed in Hong Kong.

Senior Management

Mr. WANG Fengsheng, aged 45, is the Executive Vice President of the Company. He joined the Group in 1999 and is responsible for assisting the President in daily operation management of the Group. He is responsible for managing the operation of sales and marketing centre and the construction of the system and organisation of the sales marketing centre. Prior to joining the Group, Mr. Wang had worked in the Baotou Iron & Steel Group. He received an executive master's degree in business administration from the Cheung Kong Graduate School of Business in 2009. He has extensive experience in corporate governance.

Mr. CHEN Fuchao, aged 58, is the Senior Vice President of the Company and responsible for assisting the President for managing specific projects, overseeing and providing supports to the business in accordance to the corporate governance of the Company. He graduated from the School of Mathematics of the Huaiyin Normal University in 1981, and the Nantong Management College in 1987 majoring in industrial economics. He is now studying for an executive master's degree in business administration from the Xiamen University. Prior to joining the Group in January 2004, Mr. Chen worked in the local government of Huaiyin City, Jiangsu Province as the primary person-in-charge of a government department. He has extensive experience in corporate management.

Ms. Lu Yufang, aged 57, is the Senior Vice President of the Company and responsible for assisting the President for managing specific projects, overseeing and providing supports to the business in accordance to the corporate governance of the Company. Ms. Lu graduated from the Party School of the Central Committee of C.P.C. in 1993 majoring in economics and management and obtained the qualification of senior accountant. Prior to joining the Group in 2005, she worked in Shijiazhuang Gas Group as the Chief Accountant. Ms. Lu is experienced in corporate governance and financial management

Mr. YIN Xuexin, aged 50, is the Vice President of the Company responsible for the Group's energy trading. He joined the Group in 1987 and graduated from the Guanghua School of Management of Beijing University in 2009 with an executive master's degree in business administration. Mr. Yin has extensive exposure in market development and corporate governance and has accumulated over 25 years of experience in the PRC gas industry.

Mr. LIU Yongxin, aged 52, is the Vice President of the Company mainly responsible for assisting the President in the expansion of overseas projects and international business. He graduated from Chang'an University in 1987 with a master's degree in vehicle engineering, and obtained a master's degree in finance from the Massey University in New Zealand in 1999. He was awarded the doctor of philosophy in finance and investment management from the Sun Yatsen University in 2010. Prior to joining the Group in 2008, he worked at Exxon Mobil and BP holding various important positions in the marketing, operation, investment and merger and acquisition etc. Mr. Liu has accumulated over 21 year experiences in operation and market expansion in the energy sector.

Mr. LI Shuwang, aged 49, is the Vice President and Chief Engineer of the Company responsible for the engineering, quality management, operations scheduling and ship LNG refuelling business management and development. Mr. Li graduated from the Hebei University of Technology with a bachelor's degree in engineering in 1988 and was awarded the doctor of philosophy in management from the Nation University of USA in 2007. He is currently a part-time professor in the Sun Yat-sen University. Before joining the Group in 2006, he had worked in the Sinopec Group, and was among the first group of constructors and engineers who was awarded the Registered Constructor and Senior Engineer qualification by the state. Mr. Li has extensive experience in the energy sector.

Mr. OUYANG Su, aged 58, is the Vice President and Executive Deputy General Manager in Central China, responsible for assisting the President in management of projects in Central China and business expansion. He graduated from the China University of Political Science and Law as a postgraduate in economics and management in 2004 and received a master's degree in business administration from Sino-Europe International Business School of Senior Management in October 2012. Prior to joining the Company in 2003, he had worked in Zhuzhou Water Supply Company and Zhuzhou City Gas Company. Mr. Ouyang has over 31 years of managerial experience in public utilities company.

Ms. WU Xiaojing, aged 47, is the Vice President of the Company and the General Manager of Southern China region responsible for assisting the President in the management of projects in Southern China region and business development. Ms. Wu graduated from The Chinese People's Armed Police Force Academy in 1990 with a law degree majoring in immigration inspection and obtained an executive master's degree in business administration from Beijing University in 2011. Prior to joining the Group in 2004, she worked in the Southern China branch of Beckman Coulter, Inc. and was responsible for the business development in the region. Ms. Wu is experienced in corporate governance, market development, brand building and cultural development.

Ms. GE Hua, aged 53, is a Vice President of the Company and the General Manager of Shandong Region responsible for assisting the President in project management of Shandong Region and business expansion. Ms. Ge received an executive master of business administration from Fudan University in 2006. Prior to joining the Group in 2000, she held positions in Yancheng Zhongxiang Group, Head Office of Yancheng Economic Development Zone and Citic Yancheng Company. Ms. Ge has extensive experience in corporate governance and market development.

Mr. CHEN Liye, aged 37, is the Financial Controller assisting Chief Financial Officer in the Group's daily financial management. Mr. Chen graduated from Zibo Business School majoring in accounting in 1995 and received a master of business administration from Tsinghua University in 2012. Mr. Chen owns the qualifications of Certified Accountant and Certified Tax Agent in the PRC. He was the Chief Accountant of Shandong Da Zhong Taxi Company Limited before joining the Group in 2007. Mr. Chen has extensive experience in finance, taxation and financial management.

Ms. WONG Chui Lai, aged 37, is the Company Secretary of the Company, responsible for implementation of good corporate governance. Prior to joining the Group in 2007, Ms. Wong worked at one of the big four international accounting firms. Ms. Wong graduated from the City University of Hong Kong in 2000, with a bachelor's degree in BBA(Hons) in Accountancy. She is a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Associate of Chartered Certified Accountants (ACCA) in England. Ms. Wong has over 14 years of experience in accounting and financial management. Ms. Wong is the Senior Finance Manager of EGII, which is a controlling shareholder of the Company.

The Directors have pleasure in submitting to shareholders their annual report and the audited consolidated financial statements (the "Consolidated Financial Statements") for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in gas supply business in the PRC, including but not limited to the sales of piped gas, gas connection, construction and operation of vehicles gas refuelling stations, wholesale of gas, sales of other energy and sales of gas appliances and materials.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 89.

The Directors recommend the payment of a final dividend of HK$0.83 (equivalent to approximately RMB0.66) per share to the shareholders on the register of members on 5 June 2015. The total dividend amount is approximately RMB720 million, and the retention of the remaining profit for the year is approximately RMB2,246 million.

Financial Summary

Details of the summary of the published financial information of the Group for the past ten years are set out on pages 24 to 25.

Property, Plant and Equipment

During the year, the Group continued to expand its pipeline infrastructure and other related facilities. An aggregate of RMB2,578 million has been incurred in acquiring property, plant and equipment.

Details of the movements during the year in property, plant and equipment of the Group are set out in Note 15 to the Consolidated Financial Statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 40 to the Consolidated Financial Statements.

Reserves

Details of movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 92.

Bank and Other Loans

Details of bank and other loans of the Group are set out in Note 36 to the Consolidated Financial Statements.

Charitable Donations

Charitable donations by the Group for 2014 amounted to RMB30 million.

Directors' and Senior Management Members' Emoluments

Details of Directors' and senior management members' emoluments are set out in Note 11 to the Consolidated Financial Statements and the corporate governance report on page 75.

Directors

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Wang Yusuo (Chairman)
Cheung Yip Sang (Vice Chairman, resigned from Chief Executive Officer on 24 March 2014)
Zhao Jinfeng (retired on 30 May 2014)
Yu Jianchao
Han Jishen (President)
Zhao Shengli (resigned on 24 March 2014)
Wang Dongzhi (Chief Financial Officer)

Non-executive Directors:

Wang Zizheng (appointed on 24 March 2014)
Zhao Baoju (resigned on 24 March 2014)
Jin Yongsheng
Lim Haw Kuang (re-designated on 24 March 2014)

Independent Non-executive Directors:

Wang Guangtian
Yien Yu Yu, Catherine
Kong Chung Kau (retired on 30 May 2014)
Zhang Gang (resigned on 24 March 2014)
Ma Zhixiang (appointed on 24 March 2014)
Yuen Po Kwong (appointed on 24 March 2014)
Law Yee Kwan, Quinn (appointed on 30 May 2014)

In accordance with Article 99 of the Company's Articles of Association, Mr. Law Yee Kwan, Quinn shall retire at the forthcoming annual general meeting ("AGM") of the Company, while in accordance with Article 116 of the Company's Article of Association, Mr. Cheung Yip Sang, Mr. Han Jishen, Mr. Wang Dongzhi, Mr. Lim Haw Kuang and Mr. Wang Guangtian shall retire by rotation at the AGM. All the above retiring Directors are eligible and offer themselves for re-election except for Mr. Wang Guangtian who do not offer himself for re-election due to personal development and shall retire at the AGM.

As of 31 December 2014, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation (other than statutory compensation).

The Company has received an annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company, and each of the Independent Non-executive Directors is considered independent to the Company.

Disclosure of Interests

Directors' interests or short positions in shares and in share options

As at 31 December 2014, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, were as follows:

Name of Director	Capacity	Interests in shares Corporate interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital as at 31 December 2014
Mr. Wang Yusuo ("Mr. Wang")	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000	–	329,249,000	30.40%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000	–	329,249,000	30.40%
Mr. Wang Guangtian	Beneficial owner	–	–	200,000	200,000	0.02%
Ms. Yien Yu Yu, Catherine	Beneficial owner	–	–	200,000	200,000	0.02%

Notes:

1. The two references to 329,249,000 shares relate to the same block of shares. Such shares are held by ENN Group International Investment Limited ("EGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire shares" in this report.

Save as disclosed above, as at 31 December 2014, the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code recorded no other interests or short positions of the Directors in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

Directors' rights to acquire shares

Pursuant to the Company's share option scheme, the Company has granted options to subscribe for the Company's ordinary shares in favour of certain Directors, the details of which are as follows:

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2014	Number of options exercised during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2014	Approximate percentage of the Company's total issued share capital as at 31 December 2014
Mr. Wang Guangtian	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	–	200,000	0.02%
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	–		
Ms. Yien Yu Yu, Catherine	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	–	200,000	0.02%
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	–		
Mr. Kong Chung Kau (Note 3)	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	(100,000)	–	–
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	(100,000)		
Total				600,000	(200,000)	400,000	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. "Year" refers to the period from 1 January 2014 to 31 December 2014.
3. Mr. Kong Chung Kau has retired from the position as a director of the Company and did not offer himself for re-election at the AGM held on 30 May 2014. All the share options held by him have been fully exercised before the lapse of the options.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2014, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Total interests in shares	Total aggregate interests in shares and underlying shares (Note 3)	Approximate percentage of the Company's total issued share capital as at 31 December 2014
Mr. Wang	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000 (L)	30.40%
Ms. Zhao	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000 (L)	30.40%
EGII	Beneficial owner	329,249,000 (Note 1)	329,249,000 (L)	30.40%
The Capital Group Companies, Inc.	Interest of controlled corporation	146,627,996 (Note 2)	146,627,996 (L)	13.54%
Capital Research and Management Company	Investment manager	128,156,700	128,156,700 (L)	11.83%
Commonwealth Bank of Australia	Interest of controlled corporation	97,744,000	97,744,000 (L)	9.02%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	78,569,613	78,569,613 (L) (including 448,116 (S) 59,198,821 (P))	7.25%
Wellington Management Company, LLP	Investment manager	56,209,285	56,209,285	5.19%

Notes:

1 The three references to 329,249,000 shares relate to the same block of shares. Such shares are held by EGII, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.

2. Of these shares, 128,156,700 shares are held by Capital Research and Management Company (a company which is wholly owned by The Capital Group Companies, Inc.)

3. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save as disclosed above, as at 31 December 2014, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company. Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2014, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Share Option Scheme

The Company has adopted a share option scheme (the "2002 Scheme") pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002.

Details of the share option scheme are set out in Note 46 to the consolidated financial statements and the section headed "Director's rights to acquire shares" in this report.

The following table discloses details of the Company's share options held by the employees (including Directors) and movements in such holdings under the 2002 Scheme during the year:

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2014	Number of shares involved under options exercised during the Year	Number of shares subject to outstanding options as at 31 December 2014	Approximate percentage of the Company's total issued share capital as at 31 December 2014	Weighted average closing price of shares immediately before the date of exercise of options (HK$)
Directors	14.06.2010	14.12.2010–13.06.2020	16.26	300,000	(100,000)	200,000	0.02%	54.88
	14.06.2010	14.06.2012–13.06.2020	16.26	300,000	(100,000)	200,000	0.02%	56.00
Employees	14.06.2010	14.12.2010–13.06.2020	16.26	–	–	–	–	–
	14.06.2010	14.06.2012–13.06.2020	16.26	–	–	–	–	–
Total				600,000	(200,000)	400,000	0.04%	

Note:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

No share option was granted, lapsed or cancelled during the year.

Directors' and Controlling Shareholders' Interests in Contracts and Connected Transactions

During the year, the Group has entered into the transactions and arrangements as described below with persons who are "connected" for the purposes of the Listing Rules.

Connected Transactions

On 28 October 2014, the Company entered into a sales and purchase agreement with ENN Transportation Fuels S.À.R.L., a connected person, to acquire the vehicles gas refilling businesses in the U.S. and Canada. The consideration paid by the Company for the acquisition was amounted to US$200 million (equivalent to RMB1,223 million).

Continuing Connected Transactions

During the year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review.

(A) On 30 December 2013, those Wang Family Companies (Note 1) being property management companies have entered into an agreement with the Group to provide the Group with property management services to the properties situated in the PRC occupied by the Group. For the year ended 31 December 2014, the property management services fee paid by the Group amounted to RMB14,900,000, which is below the annual cap amount RMB19,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Property Management Services

	Service providing party (Note 1)	**Service accepting party**	**Contract date**	**Contract period**	**Property**	**Transaction sum** (RMB)
(i)	Langfang Elephant Club Property Services Company Limited ("Elephant Club Services")	Langfang Xinao Gas Company Limited	1.1.2014	1 year	Office building in Langfang city	2,400,000
(ii)	Elephant Club Services	Xinao Gas Development Company Limited	1.1.2014	1–3 years	Office building in Langfang city	3,038,000
(iii)	Elephant Club Services	Langfang Branch, Xinao (China) Gas Investment Company Limited	1.1.2014	1 year	Office building in Langfang city	4,709,000
(iv)	Elephant Club Services	Langfang Xinao Gas Equipment Company Limited	1.1.2014	1 year	Office building in Langfang city	870,000
(v)	Elephant Club Services	Xinao Energy Logistics Company Limited	1.1.2014	1–3 years	Office building in Langfang city	2,610,000
(vi)	Elephant Club Services	Xinao Energy Trading Company Limited	1.1.2014	3 year	Office building in Langfang city	310,000
(vii)	Elephant Club Services	Langfang Branch, Xinao Gas Engineering Company Limited	1.7.2014	6 months	Office building in Langfang city	882,000
(viii)	Elephant Club Services	ENN Finance Company Limited	1.1.2014	1 year	Office building in Langfang city	81,000
						14,900,000

(B) On 30 December 2013, the Group and the Wang Family Companies entered into an agreement, whereby the Wang Family Companies agreed to provide the Group with administrative services, including but not limited to catering, accommodation, training of employees, maintenance, information technology support, gasoline refuelling and travel agency services. For the year ended 31 December 2014, the administrative services fee paid by the Group amounted to RMB59,104,000, which is below the annual cap amount RMB63,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Administrative Services

	Service providing party (Note 1)	Service accepting party	Services	Transaction sum (RMB)
(i)	Langfang Tongcheng Vehicle Services Company Limited	Subsidiaries under ENN Energy Holdings Limited	• Transportation services	59,104,000
(ii)	Ovation Culture Development Company Limited		• Maintenance services	
(iii)	Xinao Technology Development Company Limited		• Technology services	
(iv)	Xinao Group Elephant Club Hotel Company Limited		• Hotel services	
(v)	Xinyuan Yangguang Agriculture Company Limited		• Meal services	
(vi)	Langfang Xinao Energy Solution Company Limited		• Catering and administrative services	
(vii)	Elephant Club Services		• Provision of office equipments	
(viii)	Beijing Ovation AiTe Arts Development Company Limited		• Cultural services	
(ix)	Xinbo Zhuochang Technology (Beijing) Company Limited		• Sharing services	
(x)	Langfang Ovation International Travel Agency Company Limited		• Gasoline refuelling services	
(xi)	Beihai Ovation International Travel Agency		• Employees training services	
(xii)	Langfang City Natural Gas Limited			
(xiii)	Xinao Group Company Limited			
(ix)	ENN Solar Energy Company Limited			

(C) On 30 December 2013, the Group and the Wang Family Companies entered into an agreement, whereby the Wang Family Companies agreed to provide maritime transportation services to the Group for the transportation of energy including but not limited to liquefied petroleum gas, compressed natural gas and liquefied natural gas. For the year ended 31 December 2014, the maritime transportation services fee paid by the Group amounted to RMB4,880,000, which is below the annual cap amount RMB30,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Maritime Transportation Services

Service providing party (Note 1)	Service accepting party	Service	Transaction sum (RMB)
Beibu Gulf Tourism Corporation Limited	Xinao Energy Trading Company Limited	Transportation of energy	4,880,000

(D) On 30 December 2013, the Group and the Wang Family Companies entered into an agreement, whereby the Wang Family Companies agreed to provide energy efficiency technology services to the Group, including but not limited to energy efficiency planning, energy efficiency management consultation and setting up of smart energy efficiency platform. For the year ended 31 December 2014, the energy technology services fee paid by the Group amounted to RMB72,405,000, which is below the annual cap amount RMB80,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Energy Efficiency Technology Services

Service providing party (Note 1)	**Service accepting party**	**Service**	**Transaction sum** (RMB)
(i) Xinao Energy Services Company Limited	Subsidiaries under ENN Energy Holdings Limited	Energy efficiency technology services	72,405,000
(ii) Langfang Xinao Energy Saving Service Company Limited			
(iii) Xinao Energy Service (Shanghai) Company Limited			
(iv) Shanghai Ovation Energy Planning & Design Company Limited			

(E) On 30 December 2013, the Wang Family Companies and the Group entered into an agreement, whereby the Wang Family Companies agreed to provide electronic business services to the Group. For the year ended 31 December 2014, the electronic business services fee paid by the Group amounted to RMB5,177,000, which is below the annual cap amount RMB19,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Electronic Business Services

Service providing party (Note 1)	**Service accepting party**	**Service**	**Transaction sum** (RMB)
Bituo E-commerce Company Limited	Subsidiaries under ENN Energy Holdings Limited	Electronic business services	5,177,000

(F) On 30 December 2013, the Group and the Wang Family Companies entered into an agreement, whereby the Wang Family Companies agreed to sell equipment and provide modification services to the Group. For the year ended 31 December 2014, the equipment purchased and modification services fee paid by the Group amounted to RMB2,553,000, which is below the annual cap amount RMB58,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Equipment Purchasing and Modification Services

Seller (Note 1)	**Buyer**	**Transaction**	**Transaction sum** (RMB)
Bituo E-commerce Company Limited	Subsidiaries of ENN Energy Holdings Limited	Purchase of system and equipment	2,553,000

(G) On 30 December 2013, the Wang Family Companies and the Group entered into an agreement, whereby the Group will, upon the requests of the Wang Family Companies, provide the Wang Family Companies with gas connection services. For the year ended 31 December 2014, the gas connection service fees charged by the Group amounted to RMB3,459,000, which is below the annual cap amount RMB25,000,000 as set forth in the Group's announcement dated on 30 December 2013 about this matter.

Gas Connection Services

	Service providing party	**Service accepting party** (Note 1)	**Service**	**Transaction sum** (RMB)
(i)	Xinao Gas Development Company Limited	Langfang Xinao Property Development Company Limited	Gas connection	3,343,000
(ii)	Xinao Gas Development Company Limited	Elephant Club Services	Gas connection	22,000
(iii)	Xinao Gas Development Company Limited	Langfang Kaixin City Development Construction Corporation	Gas connection	94,000
				3,459,000

(H) On 12 May 2014, the Company entered into a Master Construction Services Agreement with a Wong Family Company for a term commencing from 12 May 2014 and expiring on 30 December 2016, whereby the Wang Family Company agreed to provide the Group with master construction services. For the year ended 31 December 2014, the construction services fee paid by the Group amounted to RMB390,543,000, which is below the annual cap amounted RMB1,025,000,000 as set forth in the Group's announcement dated on 12 May 2014 about this matter.

Construction Services

Service providing party (Note 1)	**Service accepting party**	**Service**	**Transaction sum** (RMB)
Xindi Energy Engineering Technology Company Limited	Subsidiaries under ENN Energy Holdings Limited	Construction of pipelines	390,543,000

(I) On 15 August 2014, the Company entered into a sales and purchase agreement with Xinneng Mining Company Limited, a connected person, to dispose 45% equity interest in CNOOC (Beihai) Gas Company Limited ("Xinao Beihai") and 100% equity interest in Shanxi Qinshui Xinao Gas Company Limited ("Xinao Qinshui") for a consideration of RMB229,990,000. On the same date, a Master LNG Supply Agreement was entered into between the Company and Xinao Qinshui, pursuant to which Xinao Qinshui would supply LNG to the Group upon the request of the Group for a term commencing from the effective date of disposal and expiring on 30 December 2016. For the year ended 31 December 2014, the LNG purchasing cost paid by the Group amounted to RMB110,521,000, which is below the annual cap amounted RMB167,599,000 as set forth in the Group's announcement dated on 15 August 2014 about this matter.

LNG Supply

Seller (Note 1)	**Buyer**	**Transaction**	**Transaction sum** (RMB)
Shanxi Qinshai Xinao Gas Company Limited	Xinao Energy Trading Company Limited	Purchase of LNG	110,521,000

Notes:

1. Wang Family Companies are companies controlled (entitled to exercise, or control the exercise of 30% or more of the voting power at any general meeting of the relevant company) by Mr. Wang, the Chairman, an Executive Director and a controlling shareholder of the Company, and/or his associates (including Ms. Zhao, a Non-executive Director and a controlling shareholder of the Company and the spouse of Mr. Wang who resigned from the Board on 24 March 2014), thereby being connected persons of the Group during the year.

2. Most subsidiaries, joint ventures and associates of the Company in the PRC, minority equity interest holders and related parties mentioned above have names in Chinese only, and the English names used here are for reference only.

In the opinion of the Independent Non-executive Directors, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

Other than as disclosed above, no other contracts of significance to which the Company, its ultimate holding company or its subsidiaries was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Auditor has issued an unqualified letter containing findings and conclusions in respect of the continued connected transactions disclosed by the Group as above in accordance with Chapter 14A.56 of the Listing Rules.

The auditor of the Company has conducts an engagement with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has provided a letter to the Board of Directors of the Company confirming that based on the procedures carried out on the continuing connected transactions by the auditor of the Company:

(a) nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions disclosed in this report have not been approved by the Company's Board of Directors.

(b) nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions disclosed in this report were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(c) with respect to the aggregate amount of each of the continuing connected transactions disclosed in this report, nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Company's announcement dated 30 December 2013, 12 May 2014 and 15 August 2014 made in respect of each of the continuing connected transactions.

The Board of Directors of the Company confirmed that the disclosure requirements of Chapter 14A of the Listing Rules have been complied.

Convertible Securities, Options, Warrants or Similar Rights

Other than the share options as set out in the section headed "Directors' rights to acquire shares" and the details of share options disclosed in Note 46 to the consolidated financial statements, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2014.

Major Customers and Suppliers

Both the percentage of the purchases attributable from the Group's five largest suppliers and the percentage of the revenue attributable from the Group's five largest customers were less than 30% during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase Sale or Redemption of Listed Securities

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

Audit Committee

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. During the year, members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Kong Chung Kau, Mr. Zhang Gang and Mr. Lim Haw Kuang, who are all Independent Non-executive Directors. On 24 March 2014, Mr. Zhang Gang resigned from the Board of Directors and Mr. Lim Haw Kuang was re-designated as 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, Mr. 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 accounts for 2013 and the unaudited interim accounts for 2014. In addition, the Audit Committee has reviewed the annual results and the audited annual accounts for 2014 at the Audit Committee meeting held on 26 March 2015.

Remuneration Committee

The Company's Remuneration Committee was established on 31 December 2004. The Remuneration Committee's responsibilities include the review of the Company's policy for remuneration of Directors and senior management and determination of the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments and making of recommendation to the Board on the remuneration of Non-executive Directors. During the year, the Remuneration Committee is composed of one Executive Director, namely, Mr. Jin Yongsheng, and five Independent Non-executive Directors, namely, Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Kong Chung Kau, Mr. Zhang Gang and Mr. Lim Haw Kuang. On 24 March 2014, Mr. Zhang Gang resigned from the Board of Directors and Mr. Lim Haw Kuang was re-designated as Non-executive Director of the Company, as such, both of them ceased to be the Remuneration Committee members of the Company. On the same day, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, Independent Non-executive Directors, were appointed as the new Remuneration Committee members of the Company. On 30 May 2014, Mr. Kong Chung Kau retired from the Board of Directors and also will no longer act as a Remuneration Committee member. The newly appointed Independent Non-executive Director, Mr. Law Yee Kwan, Quinn was at the same time appointed as a Remuneration Committee member of the Company. Two Remuneration Committee meeting was held during the financial year.

The Nomination Committee

The Company's Nomination Committee was established on 30 March 2012. The Nomination Committee's responsibilities include review the structure, size, board diversity and composition of the board and make recommendations on the change to the board to complement the Company's corporate strategy. During the year, the Nomination Committee is composed of the Chairman of the Board, namely, Mr. Wang Yusuo, one Non-executive Director, namely, Mr. Jin Yongsheng, and five Independent Non-executive Directors, namely, Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Kong Chung Kau, Mr. Zhang Gang and Mr. Lim Haw Kuang. 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 ceased to be the Nomination Committee members of the Company. On the same day, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, Independent Non-executive Directors, were appointed as Nomination 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 Nomination Committee member. The newly appointed Independent Non-executive Director, Mr. Law Yee Kwan, Quinn was at the same time appointed as a Nomination Committee member of the Company. Two Nomination Committee meeting was held during the financial year.

The Code on 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 30 May 2014 due to business trip. Alternatively, Mr. Han Jishen, the Executive Director and President of the Company, attended and acted as the chairman of the said annual general meeting.

The Model Code for Securities Transactions by Directors of Listed Issuers

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Business Review and Performance

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement from pages 6 to 11 and Management Discussion and Analysis Report from pages 26 to 41 in this Annual Report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2014, if any, can also be found in the abovementioned sections and the Notes to the Financial Statements. The outlook of the Company's business is discussed throughout this Annual Report including the Chairman's Statement from pages 6 to 11 of this Annual Report.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

On 13 May 2011, the Company issued 10-year bonds and the terms and conditions of the bonds require Mr. Wang Yusuo, the controlling shareholder of the Company, to retain at least 25% of the total issued share capital of the Company throughout the term of the bonds. The total amount of the loan involved is US$750 million (equivalent to RMB4,863 million).

On 23 October 2014, the Company issued 5-year bonds and the terms and conditions of the bonds required Mr. Wang Yusuo, the controlling shareholder of the Company, to retain at least 20% of the total issued share capital of the Company throughout the term of the bonds. The total amount of the loan involved is US$400 million (equivalent to RMB2,460 million).

Interests in Competitors

During the year, none of the Directors or the management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
WANG Yusuo
Chairman

Hong Kong, 27 March 2015

The Company is committed to upholding good corporate governance practices. The corporate governance principles of the Company emphasize on an effective board, prudent internal and risk control, transparency and quality disclosure and accountability to shareholders. The board of directors (the "Board") and the management of the Company have been continually reviewing and enhancing the corporate governance practices with reference to local and international standards. The Board believes that its continuous efforts in enhancing the Company's corporate governance practices has, directly and indirectly, contributed to the strong business growth of the Company and its subsidiaries (the "Group") in the past years. The Company is honoured to have received numerous awards from independent bodies recognising the Group's achievements in business and management which include the following:

AsiaMoney

- Year 2005 "Asia's Best Managed Company (China, Medium Cap)"
- Year 2004 "Overall Medium-Cap Company (China)"
- Year 2002, 2003 "Best Small Cap Company (China)"
- Year 2001, 2003 "Overall Best Managed Company (China)"

Yazhou Zhoukan

- Year 2014 "Best Company in Clean and Renewable Energy Industry for 2014"
- Year 2007 "1000 Global Chinese Business"
- Year 2001, 2002, 2003, 2004, 2005, 2006 "Chinese Business 500"
- Year 2003, 2004, 2005 "Top 20 Chinese Enterprises of Assets Growth"
- Year 2002, 2003 "Top 20 Chinese Enterprises of Revenue Growth"

FinanceAsia

- Year 2014 "Asia's Best Companies – Best Investor Relations 6th Place for 2014"
- Year 2005 "The Best Small Cap in China"
- Year 2002 "Best Financial Management"
- Year 2001 "The Best Small Cap IPO"

Forbes Global

- Year 2013 "China's Best CEO"
- Year 2012, 2013 "Asia's Fabulous 50"
- Year 2001, 2002, 2003 "The 200 Best Under a Billion"

EuroWeek

- Year 2005 "Best Asian High Yield Bond Issue"

The Asset

- Year 2014 "Triple A Greater China Awards 2014 for Corporates in Environment"
- Year 2012 "China's Most Promising Companies 2012"
- Year 2009 "China's Most Promising Companies 2009"

The Hong Kong Management Association

- Year 2009 "Citation for Design, The Best Annual Reports Awards"
- Year 2006 "Honourable Mention, The Best Annual Reports Awards"

Annual International ARC Awards

- Year 2012, "Gold, Overall Annual Report: Electric & Gas Services"
- Year 2011 "Merit, Cover Design: Oil and Natural Gas Production and Service"
- Year 2010 "Bronze, Interior Design: Gas Distribution, Transport and Transmission"
- Year 2010 "Silver, Overall Annual Report: Gas Distribution, Transport and Transmission"
- Year 2008 "Gold, Overall Annual Report: Gas Distribution, Transport and Transmission"
- Year 2004, 2006, 2007 "Honors, Overall Annual Report"

Annual International Galaxy Awards

- Year 2009 "Gold, Annual Reports: Energy"
- Year 2004, 2006, 2008 "Silver, Annual Reports: Energy"

Mercury Excellence Awards

- Year 2004 "Silver, Annual Report"

China Affiliate of the Balanced Scorecard Institute

- Year 2008 "Star Organisation of Strategy Execution in China"

Institutional Investor Magazine

- Year 2014 – All-Asia Executive Team Ranking: – Best CEOs Rank No. 1 (Power Sector)
  – Best CFOs Rank No. 2 (Power Sector)
  – Best Investor Relations Companies, Rank No. 2 (Power Sector)
  – Best Investor Relations Professionals, Rank No. 2 (Power Sector)
- Year 2013 – All-Asia Executive Team Ranking: – Best Companies in China, Rank No. 1 (Power Sector)
  – Best CEOs Rank No. 2 (Power Sector)
  – Best CFOs Rank No. 3 (Power Sector)
  – Best Investor Relations Companies, Rank No. 3 (Power Sector)
  – Best Investor Relations Professionals, Rank No. 3 (Power Sector)
- Year 2012 – All-Asia Executive Team Ranking: – Best CEOs Rank No. 1 (Power Sector)
  – Best CFOs Rank No. 1 (Power Sector)
  – Best Investor Relations Companies, Rank No. 2 (Power Sector)

Vision Awards

- Year 2009 "Platinum Award"
- Year 2009 "Top 100 Annual Report of 2009"
- Year 2009 "Best Annual Report Cover – Gold, Asia Pacific Region"

International LACP Awards

- Year 2011 "Platinum, Vision Awards Annual Report: Energy: Oil, Gas & Consumable Fuels"
- Year 2010 "Gold, Vision Awards Annual Report: Energy: Oil, Gas & Consumable Fuels"

Ta Kung Pao

- Year 2013 "China Securities Golden Bauhinia Awards – Best Performer in Corporate Social Responsibility"

IR Magazine

- Year 2013/14 "Top 100 for Investor Relations in Greater China"

Platts

- Year 2014 & 2013 "The Platts Top 250 Global Energy Companies"

Code on Corporate Governance Code

During 2014, the Company has complied with the code provisions in the Code on Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the time being in force, except the deviation from Code Provision E.1.2 with explanation set out herein. In addition, the Company has also further complied with those recommended best practices in the Code as set out herein.

The Group continues to maintain and optimise the system of internal control and risk management in order to strengthen its governance, compliance and risk control abilities. These practices are mainly used for:

1. risks identification, reporting, assessment and management;
2. knowledge management and sharing;
3. internal auditing systems with emphasis on operation and financial audit as well as management control; and
4. standardisation of work flow with reference to established best practices.

The Group has a risk management department responsible for risk identification, risk prevention, reporting handling, regular audit, project examination and inspection, establishing an all-around risk management system. In 2014, the Group continued to promote the active risk management model and carried out exit audits, performance audits or project inspection in 45 member companies. The employees’ behavior, accountability and performance credibility, the income and expense, and key procedures including engineering and procurement were audited and examined in depth in order to further improve the control mechanism and raise the awareness of member companies and its employees regarding compliance and risk prevention.

The finance department has been designated to be in charge of the internal control and positions responsible for internal control were set up at various levels. In 2014, all member companies conducted the self-examination of internal control and 28 of them were identified and selected to undertake enhanced internal control evaluation. The Group continued to promote the GRC (governance, risk and compliance) system to all subsidiaries since the pilot system as developed by the Group and SAP was first launched in Langfang and Shijiazhuang last year. The GRC system improves the Group’s internal control management tools, and will further enhance the internal control standard of the member companies.

The legal affair department was set up in 2012 to manage the corporate governance and legal issues. It ensures the Group’s good corporate governance and compliance by standardising the board meetings of member companies, strengthening the legal affair system, offering legal support to key decision-making in operation and management, conducting annual inspection of member companies and handling legal disputes and litigations.

We summarise below each of the code provisions set out in the Code and the recommended best practices which the Company has complied with together with corresponding details of compliance.

Compliance of the Code on Corporate Governance Code

A. Directors

A.1 The Board

Code Principle

The board should assume responsibility for leadership and be collectively responsible for directing and supervising the issuer's affairs. Directors should make decision objectively in the interest of the issuer.

Code Provisions	Compliance	Details of Compliance
• At least four regular board meetings a year.	Yes	• The Board meets at least on a quarterly basis. In 2014, a total of 11 Board meetings (including four regular Board meetings) were held. Details of Directors' attendance record of Board meetings, Board Committees meetings and general meetings in 2014 are as follows:

	No. of meetings attended during 2014				
	Board	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Annual General Meeting*
Executive Directors:					
Mr. Wang Yusuo	4/11 (4/4)*	–	1/2	–	0/1
Mr. Cheung Yip Sang	6/11 (4/4)*	–	–	–	0/1
Mr. Zhao Jinfeng (Note 3)	1/4 (4/4)*	–	–	–	0/1
Mr. Yu Jianchao	9/11 (4/4)*	–	–	–	0/1
Mr. Han Jishen	8/11 (4/4)*	–	–	–	1/1
Mr. Zhao Shengli (Note 2)	1/1 (1/1)*	–	–	–	–
Mr. Wang Dongzhi	11/11 (4/4)*	–	–	–	1/1
Non-executive Directors:					
Ms. Zhao Baoju (Note 2)	1/1 (1/1)*	–	–	–	–
Mr. Wang Zizheng (Note 2)	5/11 (3/3)*	–	–	–	0/1
Mr. Jin Yongsheng	8/11 (4/4)*	–	2/2	2/2	0/1
Mr. Lim Haw Kuang (Note 2)	6/11 (4/4)*	1/1	1/1	1/1	0/1
Independent Non-executive Directors:					
Mr. Wang Guangtian	9/11 (4/4)*	3/3	2/2	2/2	0/1
Ms. Yien Yu Yu, Catherine	8/11 (4/4)*	3/3	2/2	2/2	0/1
Mr. Kong Chung Kau (Note 3)	4/4 (1/1)*	1/1	2/2	2/2	1/1
Mr. Zhang Gang (Note 2)	1/1 (1/1)*	1/1	1/1	1/1	–
Mr. Ma Zhixiang (Note 2)	8/10 (3/3)*	2/2	1/1	1/1	0/1
Mr. Yuen Po Kwong (Note 2)	8/10 (3/3)*	2/2	1/1	1/1	1/1
Mr. Law Yee Kwan, Quinn (Note 3)	6/7 (3/3)*	1/2	0/0	0/0	1/1

Notes

1. *Regular Board Meetings

2. On 24 March 2014, Mr. Zhao Shengli resigned as the Executive Director of the Company, Ms. Zhao Boju resigned as the Non-executive Director of the Company and Mr. Wang Zizheng, who is the son of Mr. Wang Yusuo, has been appointed as the Non-executive Director of the Company. At the same date, Mr. Zhang Gang resigned as the Independent Non-executive Director, and also the member of the Audit Committee, Nomination Committee and Remuneration Committee. Mr, Lim Haw Kuang, as the Independent Non-executive Director, has been re-designed as the Non-executive Director of the Company, hence resigned as the member of Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Ma Zhixiang and Mr. Yuen Po Kwong have been appointed as the Independent Non-executive Director of the Company, also the member of Audit Committee, Nomination Committee and the Remuneration Committee.

3. On 30 May 2014, Mr. Zhao Jinfeng retired as the Executive Director of the Company. Mr. Kong Chung Kau retired as the Independent Non-executive Director of the Company, hence resigned as the member of Audit Committee, Nomination Committee and Remuneration Committee. At the same date, Mr. Law Yee Kwan, Quinn has been appointed as the Independent Non-executive Director of the Company, and also the member of the Audit Committee, Nomination Committee and Remuneration Committee.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.1 The Board (continued)

Code Provisions	Compliance	Details of Compliance
• Opportunity to all directors to include matters in the agenda for regular board meetings.	Yes	• Directors are consulted as to items to be included and items which the directors may wish to include in the agenda for regular Board meetings before the finalised version of the relevant agenda is despatched to the directors.
• At least 14 days notice given to all directors prior to a regular board meeting to ensure that opportunity to attend is given.	Yes	• Notice of a regular Board meeting is given to all directors not less than 14 days prior to such meeting.
• Minutes of meetings kept by company secretary and available for inspection.	Yes	• All Board and Board Committees minutes and records are kept by the Company Secretary and will be available for inspection in Hong Kong by any directors.
• Draft and final minutes of board meetings sent to all directors for comments and records, in both cases, within a reasonable time.	Yes	• Draft minutes of a Board meeting will be prepared by the Company Secretary and circulated to all the directors for review and comment, and final version of the Board minutes will be sent to all directors for record as soon as practicable after the relevant Board meeting.
• Agreed procedure for directors to seek independent professional advice at the company's expense.	Yes	• The Board has adopted a written procedure for the directors to seek independent professional advice at the Company's expense.
• If a substantial shareholder/director (or any of his/her associates) has a conflict of interest in a matter which the Board has determined to be material, a board meeting should be held. The director having interest in the matter must abstain from voting and not be counted in quorum. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	Yes	• The Articles of Association of the Company stipulate that subject to certain exceptions contained therein, a director shall not be entitled to vote on (nor shall be counted in the quorum in relation thereto) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he/she has any material interest, and if he/she shall do so his/her vote shall not be counted (nor will he/she be counted in the quorum for the resolution). • It is the practice of the Board to hold a meeting to decide on any matter in which a substantial shareholder or a director (or any of its/his/her associates) has a material interest and to request for presence of independent non-executive directors.
• Insurance cover in respect of legal action against directors.	Yes	• There is in place a directors & officers liabilities insurance covering the directors and officers of the Group.

Recommended Best Practice	Compliance	Details of Compliance
• Board committees should adopt broadly the same principles and procedures.	Yes	• During the year under review, there are three Board Committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board Committees adopt broadly the same principles and procedures applicable to the Board as stated in this Section A.1 hereinabove.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.2 Chairman and chief executive officer

Code Principle

The management of the board and the day-to-day management of the issuer's business should be clearly divided and separately undertaken by different officers to ensure a balance of power and authority.

Code Provisions	Compliance	Details of Compliance
• Roles and responsibilities of chairman and chief executive officer should be separate and clearly established and set out in writing.	Yes	• The roles and responsibilities of the chairman (the "Chairman") and the chief executive officer (the "CEO") of the Company are separate and clearly set out in writing. • Mr. Wang Yusuo, the Chairman, is responsible for overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in driving all directors to actively contribute to the Board affairs and establishing good corporate governance practices and procedures. • On 24 March 2014, Mr. Cheung Yip Sang, the CEO, has been appointed as the Vice Chairman of the Board and resigned his role as CEO. Mr. Han Jishen, as the Executive Director and President of the Company took up the role of the CEO. He is responsible for managing the business of the Group, executing the strategies and decisions of the Board, and managing the day-to-day operations of the Group. • Apart from acting as a director or chief executive officer in a number of companies owned and controlled by Mr. Wang Yusuo and/or his family, Mr. Han Jishen has no other relationship with Mr. Wang Yusuo.
• The chairman should ensure all directors be briefed on issues arising at board meetings.	Yes	• Currently, the Chairman is responsible for provision of the necessary information, either through himself or other members of the management, to all Directors on issues arising at the Board meeting.
• The chairman should ensure that directors receive adequate information in a timely manner.	Yes	• The Board has established procedure regarding supply of and access to information (see Section A.6 below). Further, the Chairman will upon request provide the necessary information, either through himself or other members of the management, to all directors for discharging their duties.
• The Chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.	Yes	• The Chairman is responsible for drawing up and approving the agenda for each board meeting, and he will take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.2 Chairman and chief executive officer (continued)

Recommended Best Practice	Compliance	Details of Compliance
• The Chairman should ensure that good corporate governance practise and procedures are established.	Yes	• The chairman plays a key role in ensuring good corporate governance practises and encouraging active participation and constructive contribution and relations of the directors.
• The Chairman should encourage directors to make full and active contribution to board affairs, and also encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensures that the board decisions fairly reflect board consensus.	Yes	• Any Directors could access to the Company Secretary anytime to express their opinion on the Company's business and require to hold a Board meeting anytime. The Board has taken the following measures in relation to corporate governance practices: 1. the Board has adopted guidelines regarding: a) the roles and responsibilities of the Board and the senior management; b) the procedure for the directors to seek independent professional advice at the Company's expenses;
• The chairman should promote a culture of openness and active discussion to facilitate the effective contribution of non-executive directors in particular and ensuring a constructive relations between executive and non-executive directors.	Yes	c) the division of responsibilities between the Chairman and the CEO; and d) dealing in the securities of the Company by directors or relevant employees of the Group. 2. the Company arranged training programmes and seminars on various topics covering, inter alia, matters relating to the interpretation of government policies, execution of corporate strategy, establishment of market system, corporate governance as well as setup of human resources system.
• The Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	Yes	• A face-to-face meeting has been organised in Hong Kong office during the year by the Chairman, to update and communicate the strategy and operation of the Company with the non-executive directors. • The Company has set up an investor relations department since 2002. • Any shareholders could communicate with the Company through emails, letters, phone calls or meetings etc. Shareholder's view would be passed to the Board for discussion according to its importance.
• The Chairman should ensure effective communication with shareholders and views of shareholders are communicated to the board as a whole.	Yes	

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.3 Board composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively.

As at 27 March 2015, the Board members were as follows:

Mr. Wang Yusuo	(Chairman and Executive Director)
Mr. Cheung Yip Sang	(Vice Chairman and Executive Director)
Mr. Yu Jianchao	(Executive Director)
Mr. Han Jishen	(President and Executive Director)
Mr. Wang Dongzhi	(CFO and Executive Director)
Mr. Wang Zizheng	(Non-executive Director)
Mr. Jin Yongsheng	(Non-executive Director)
Mr. Lim Haw Kuang	(Non-executive Director)
Mr. Wang Guangtian	(Independent Non-executive Director)
Ms. Yien Yu Yu, Catherine	(Independent Non-executive Director)
Mr. Ma Zhixiang	(Independent Non-executive Director)
Mr. Yuen Po Kwong	(Independent Non-executive Director)
Mr. Law Yee Kwan, Quinn	(Independent Non-executive Director)

For qualifications, experience, expertise and relationships (if any) of the Board members, please refer to the biographies of the Directors on pages 42 to 45 of this Annual Report. The Board believes that the existing Board composition creates an adequate balance of skills and experience which is appropriate for the requirements of the business of the Company.

Roles and functions

The Board is responsible for formulating strategic business development, reviewing and monitoring the business performance of the Group, as well as preparing and approving financial statements. The Board gives clear directions as to the powers delegated to the management for the administrative and management functions of the Group. Such arrangements are reviewed by the Board on a periodic basis and appropriate adjustments may, from time to time, be made to ensure the decisions of the Board can be carried out effectively.

For the year ended 31 December 2014, the Board:

1. reviewed the performance of the Group and formulated business strategy of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 December 2013 and the interim results of the Group for the six months period ended 30 June 2014;
3. considered and approved the change of the composition of the Board;
4. reviewed and approved the adjustment on the remunerations of the Board members;
5. reviewed the effectiveness of the system of internal control and risk management of the Group;
6. reviewed general mandates to issue and repurchase shares of the Company;
7. considered the entering into of the Master Construction Service Agreement as well as reviewed and approved the corresponding continuing connected transactions from 2014 to 2016;
8. reviewed and approved the request from Mr. Kong Chung Kau, an Independent Non-executive Director, to exercise his options before the lapse of the options after his retirement;
9. reviewed and approved the connected transaction in relation to the disposal of the 45% equity interest in Xinao Beihai and 100% equity interest in Xinao Qinshui, as well as reviewed and approved the continuing connected transactions from 2014 to 2016 of Xinao Qinshui;
10. reviewed and approved the issuance of the 2019 due unsecured bonds, the principal amount is US$400 million with coupon of 3.25% to acquire approximately 1.12% of the new shares of Sinopec Marketing Co., Limited and to finance the general operation of the Company; and
11. reviewed and approved the connected transaction in relation to the acquisition of the vehicles gas refilling businesses in U.S and Canada.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.3 Board composition (continued)

Code Provisions	Compliance	Details of Compliance
• Identify the independent non-executive directors in all corporate communications that disclose the names of directors of the issuer.	Yes	• The names of all Directors and their titles (including Chairman, Vice Chairman, CEO, President, CFO, Executive Directors, Non-executive Directors and Independent Non-executive Directors) are disclosed in all corporate communications that disclose the names of the directors, including annual reports, announcements, circulars to shareholders, notices of general meetings and in the Company's website at www.ennenergy.com.
• The board should maintain on the website an updated list of directors identifying their roles, functions and (where applicable) whether they are independent non-executive directors.	Yes	• Biographies of the directors, including their titles, roles and responsibilities, are maintained on the Company's website at www.ennenergy.com and updated from time to time.

A.4 Appointment, re-election and removal

Code Principle

There should be a formal, considered and transparent procedures for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. The company must explain the reasons for the resignation or removal of any director.

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience, skills and possible contribution of such candidate.

Code Provisions	Compliance	Details of Compliance
• Non-executive directors should be appointed for a specific term, subject to re-election.	Yes	• Currently, the term of appointment of all non-executive directors (including independent non-executive directors) are three years subject to retirement by rotation in accordance with the Articles of Association of the Company.
• Every director should be subject to retirement by rotation at least once every three years.	Yes	• The Company's Articles of Association stipulates that every director will be subject to retirement by rotation at least once every three years.
• All directors appointed to fill a casual vacancy should be subject to election at the first general meeting after appointment.	Yes	• The Company's Articles of Association stipulates that a director appointed to fill a casual vacancy will be subject to election at the next general meeting after appointment.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.4 Appointment, re-election and removal (continued)

Code Provisions	Compliance	Details of Compliance
• Further appointment of an independent non-executive director serving more than nine years requires (i) separate shareholders approval and (ii) explanatory statement to shareholders to provide information on his continual independence. • Provide information to shareholders regarding the independence of the independent non-executive director proposed to be appointed.	Yes	• It is the practice of the Company to seek shareholders' approval of the further appointment of an independent non-executive director serving more than nine years. • It is the current practice of the Company that a separate resolution will be proposed at the general meeting for shareholders' approval in respect of each director nominated for election or re-election. • Where directors are subject to election or re-election at a general meeting, a circular will be issued in which detailed biographies, interests and independence of such directors will be disclosed (where appropriate).

A.5 Nomination Committee

Issuers should establish a Nomination Committee for appointment of new Directors to the Board, which is chaired by the Chairman of the board or an Independent Non-executive Director and comprises a majority of independent Non-executive Directors.

On 30 March 2012, the Board has established a Nomination Committee. During the year, the Committee is chaired by Mr. Wang Yusuo (Chairman of the Board) and comprises of all Independent Non-executive Directors, including Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn, and one Non-executive Director, Mr. Jin Yongsheng. Since 24 March 2014, Mr. Zhang Gang resigned from the Board of Directors and Mr. Lim Haw Kuang re-designed from Independent Non-executive Director to Non-executive Director, hence they ceased to be the Nomination Committee members. On the same day, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, as the newly appointed Independent Non-executive Directors, were appointed as additional Nomination 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 Nomination Committee member. Mr. Law Yee Kwan, Quinn was appointed on the same date to fill up the vacancy as a member of the Nomination Committee. The responsibilities of the Nomination Committee include identifying and selecting suitably qualified individuals to become members of the Board. When the Nomination Committee considers necessary or desirable to appoint a new member to the Board (whether to fill a casual vacancy or otherwise), each member of the Board may nominate suitable individual(s) as candidate(s) of member(s) of the Board for the decision of the Board.

The Company has adopted a board diversity policy (the "Policy") since March 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board, in another means, assisting the Company in the realisation of strategic goals and continuing development. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board currently has not yet set any measurable objectives. The Nomination Committee will review the Policy from time to time to ensure its continued effectiveness.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.5 Nomination Committee (continued)

Code Provisions	Compliance	Details of Compliance
• A nomination committee should be chaired by the chairman or an independent non-executive director and comprises a majority of independent non-executive directors.	Yes	• During the year, the Nomination Committee is chaired by Mr. Wang Yusuo, and comprised of five Independent Non-executive Directors and one Non-executive Director.
• The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. It should perform the following duties: – review the structure, size, board diversity and composition of the board and make recommendations on the change to the board to complement the Company's corporate strategy. – Identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships; – assess the independence of independent non-executive directors; and	Yes	• The Nomination Committee met once during the year and review on the structure, size, board diversity and composition of the board. During the year, Mr. Zhang Gang, Mr. Lim Haw Kuang and Mr. Kong Chung Kau resigned/retired from the post as Independent Non-executive Directors. The Nomination Committee recommended the appointment of Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn as the Independent Non-executive Director to make sure the change in the board composition would not affect the proper functioning of the Board. Throughout the process, committee members have fully considered the necessary information and access the independence.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.5 Nomination Committee (continued)

Code Provisions	Compliance	Details of Compliance
– make recommendations to the board on the appointment or re – appointment of directors and succession planning for directors, in particular the chairman and the chief executive.		
• The nomination committee should put its terms of reference on the websites of the Stock Exchange and the Company.	Yes	• The relevant terms of reference have been put on the Stock Exchange and the Company's website.
• The nomination committee should be provided sufficient resources and independent professional advices at the Company's expense to perform its responsibilities.	Yes	• The detailed resume and full background information of the new appointed directors have been provided and considered by the Nomination Committee.
• The circular to shareholders and/or explanatory statement of the relevant general meeting where board elect an individual as an independent non-executive director should set out the reasons of the election and his independence.	Yes	• The reasons of the election and the independence of the new Independent Non-executive Director will be set out in the circular to the shareholders.
• The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.	Yes	• The Board has adopted the policy on concerning the diversity of board members, in which a number of factors, including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and length of service will be taken into account. • The effectiveness of such policy has been reviewed by the Nomination Committee members from time to time so as to make sure the Board diversity has been function well.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.6 Responsibilities of directors

Code Principle

All directors (including non-executive directors) shall keep abreast of their responsibilities as a director of an issuer, and of the conduct, business activities and development of such issuer.

Code Provisions	Compliance	Details of Compliance
• Every newly appointed director should receive a comprehensive, formal induction to ensure that he/she has proper understanding of the business and his/her responsibilities under regulatory requirements, business and governance policies of the issuer.	Yes	• The Board will provide information memorandum on director's duties and obligations under the Cayman Islands laws, the Hong Kong laws and the Listing Rules to a newly appointed director to assist such director to understand his/her responsibilities. • The Board will also arrange for a meeting between the Company's legal advisers and a newly appointed director in which the Company's legal advisers will explain to such director his/her responsibilities under the relevant legal and regulatory requirements. • In addition, the Company will provide relevant information to ensure that the newly appointed director properly understands the business and governance policies of the Company. The newly appointed director will be given opportunities to raise questions and give comments.
• Functions of non-executive directors include: – bringing an independent judgment at board meetings. – taking the lead where potential conflicts of interests arise. – serving on committees if invited. – scrutinising the issuer's performance.	Yes	• Non-executive Directors are consulted as to the matters to be included for discussion at the Board meetings and are provided with opportunities to raise questions or give comments at Board meetings. • In relation to each connected transaction or continuing connected transaction of the Group that requires independent shareholders' approval, the Independent Non-executive Directors will give independent opinion on the transaction. • All the Independent Non-executive Directors are members of the Audit Committee, Remuneration Committee and Nomination Committee, these committees serve the function of scrutinising the Company.
• Directors should ensure that they can give sufficient time and attention to the affairs of the issuer.	Yes	• There have been satisfactory attendances in general for Board meetings and Board Committees meetings. Please refer to directors' attendance record of Board meetings and Board Committees meetings (see Section A.1.)
• Directors must comply with their obligations under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules regarding their securities transactions.	Yes	• The Company has adopted the Model Code as the code of conduct regarding securities transaction by the directors of the Company. Each director is specifically required to confirm with the Company that he/she has complied with the required standard set out in the Model Code at least twice each year and there has not been any non-compliance by any Director in this respect.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.6 Responsibilities of directors (continued)

Code Provisions	Compliance	Details of Compliance
• The board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in securities of the issuer.	Yes	• The Company has adopted written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in securities of the Company.

Recommended Best Practice	Compliance	Details of Compliance
• Directors should participate in a programme of continuous professional development.	Yes	• In 2014, the Directors and the senior management had attended programmes and seminars on various matters relating to the interpretation of government policies, execution of corporate strategy, establishment of market system, corporate governance as well as set-up of human resources system. There have been satisfactory attendances in general.
• The Company should arrange training to place emphases on the director's roles, functions and duties.	Yes	• The Company arranged regular internal trainings. Also, the Company provides updates on the listing rules and relevant regulatory requirements for reference from time to time. • All the training record of the directors are kept by the Company.
• Directors should disclose to the issuer at the time of his appointment (and on periodic basis) offices held in other organisations and other significant commitments.	Yes	• Details of a director, including the offices held by such director in other organisations and other significant commitments are kept by the Company Secretary, and updated at least once a year. Biography of each director is updated from time to time and confirmed by such director before being published in the Company's annual report and circulars. • Executive Directors who intend to accept any directorship or appointment in other companies or entities would need to consult and obtain prior approval from the Board before acceptance.
• Non-executive directors should ensure regular attendance of and active participation in board committees, board meetings and general meetings.	Yes	• During the year under review, the Non-executive Directors have actively participated in Board meetings, Board Committees meetings (if invited) (see Section A.1) and general meetings in general.

Compliance of the Code on Corporate Governance Code *(continued)*

A. Directors *(continued)*

A.6 Responsibilities of directors (continued)

Recommended Best Practice	Compliance	Details of Compliance
• Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	Yes	• During the year under review, the Non-executive Directors have satisfactorily discharged their duties.

A.7 Supply of and access to information

Code Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as director of an issuer.

Code Provisions	Compliance	Details of Compliance
• Agenda and papers for regular board meetings should be sent in full to all directors at least three days before the date of such board meetings.	Yes	• Agenda and Board papers are currently sent in full to all directors at least three days before the date of a regular Board meeting.
• Each director should have separate and independent access to senior management.	Yes	• Senior management will meet with the directors from time to time and as requested by the directors.
• Directors are entitled to have access to board papers and related materials and steps must be taken to respond promptly and fully to director queries.	Yes	• Papers relating to Board meetings will be circulated to the directors who may request for further information. Draft minutes of a Board meeting will be circulated to all the directors for review and comment prior to the same being finalised. Board minutes will be sent to the directors for record after the meeting. • Board and committees minutes and papers are available for inspection by directors and Board Committees members. • Each director will be given the opportunity to raise questions or provide comments at Board meetings, and his/her questions will be answered at the meeting or promptly thereafter. Comments will be noted and relevant action will be taken (if appropriate) after discussion.

Compliance of the Code on Corporate Governance Code *(continued)*

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

B.1 The level and make-up of remuneration and disclosure

Code Principle

An issuer should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his own remuneration.

Remuneration Committee

On 24 March 2014, Mr. Zhang Gang and Mr. Lim Haw Kuang ceased to be the member of the Remuneration Committee. On the same date, Mr. Ma Zhixiang and Mr. Yuen Po Kwong filled up the vacancy. On 30 May 2014, Mr. Kong Chung Kau retired and Mr. Law Yee Kwan, Quinn was appointed as the member of the Remuneration Committee. At the same date, Mr. Yuen Po Kwong was selected as the Chairman of the Remuneration Committee and Ms. Yien Yu Yu, Catherine was no longer the Chairman of the Remuneration Committee since then. The Remuneration Committee was established on 31 December 2004 and consists of the following members as at 31 December 2014:

Mr. Yuen Po Kwong	(Independent Non-executive Director, appointed on 24 March 2014 and chairman of the Remuneration Committee)
Mr. Jin Yongsheng	(Non-executive Director)
Mr. Wang Guangtian	(Independent Non-executive Director)
Ms. Yien Yu Yu, Catherine	(Independent Non-executive Director)
Mr. Ma Zhixiang	(Independent Non-executive Director, appointed on 24 March 2014)
Mr. Law Yee Kwan, Quinn	(Independent Non-executive Director, appointed on 30 May 2014)

The Remuneration Committee is primarily responsible for the following duties:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration;
2. to have the delegated responsibilities to determine the specific remuneration packages of all executive directors and senior management;
3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
4. to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
6. to make recommendations to the Board on the remuneration for non-executive directors;
7. to ensure that no director or any of his associates is involved in deciding his own remuneration;
8. to consult the Chairman and/or the President about their proposals relating to the remuneration of executive directors and have access to professional advice if considered necessary; and
9. to report to the Board.

The terms of reference, explaining its role and the authority delegated to it by the board have been included on the Exchange's website and the Company's website.

Compliance of the Code on Corporate Governance Code *(continued)*

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION *(continued)*

B.1 The level and make-up of remuneration and disclosure (continued)

The Remuneration Committee met once during the year under review to consider the remuneration of the directors and senior management. Attendance record of the Remuneration Committee members is set out in Section A.1 above. The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (RMB)	Number of persons
1 to 1,000,000	18
1,000,001 to 2,000,000	8
2,000,001 to 3,000,000	3
3,000,001 to 4,000,000	1

Further particulars regarding directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 11 to the Consolidated Financial Statement.

Code Provisions	Compliance	Details of Compliance
• Remuneration committee should be established with specific written terms of reference (containing the minimum prescribed details as set out in paragraph B.1.2 of Appendix 14 to the Listing Rules) and should be available on request.	Yes	• The Company has established a Remuneration Committee with written terms of reference which meet the requirements as set out in paragraph B.1.2 of Appendix 14 to the Listing Rules. • The terms of reference of the Remuneration Committee are posted on the Company's website and will be available on request.
• The remuneration committee should consult the chairman and/or chief executive officer regarding proposed remuneration of other executive directors and have access to independent professional advice if necessary.	Yes	• The terms of reference of the Remuneration Committee provide that the committee should consult the Chairman and/or the CEO about proposed remuneration of other executive Directors. • The Remuneration Committee will consult the Chairman and/or the CEO before making recommendation on remuneration to the Board and will seek independent professional advice as and when necessary.
• The remuneration committee should be provided with sufficient resources to discharge its duties.	Yes	• The terms of reference of the Remuneration Committee provide that members of the Remuneration Committee may seek outside legal and independent professional advice as and when necessary at the costs of the Company. • In addition, the Board and the senior management will give full support to the Remuneration Committee.

Compliance of the Code on Corporate Governance Code *(continued)*

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION *(continued)*

B.1 The level and make-up of remuneration and disclosure (continued)

Recommended Best Practice	Compliance	Details of Compliance
• Where the board resolves to approve any remuneration which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	Yes	• The Board has not resolved to approve any remuneration which the Remuneration Committee has previously resolved not to approve. The Board will disclose the reasons in the corresponding annual report if such circumstances occur in the future.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code Provisions	Compliance	Details of Compliance
• Management should provide explanation on financial and other information to enable the board to make informed assessment.	Yes	Directors are provided with general financial information with explanation thereof (if appropriate) of the Group on a regular basis. Moreover, the management also regularly meets with the directors to present results and discuss any variance between the budget and the actual results (if any).
• Acknowledgement of directors' responsibility for preparing the accounts and a statement by the auditors regarding reporting responsibilities in auditors' report.	Yes	• A statement of directors' responsibilities for financial statements is set out in the interim and annual reports. • Auditors' reporting responsibilities statement is set out in the auditors' report.
• Board's responsibility to present a balanced, clear and understandable assessment in annual/interim reports, price-sensitive announcements and other financial disclosures/reports under regulatory requirements.	Yes	• The Board is collectively responsible for ensuring clear and understandable assessment in annual/interim reports, price-sensitive announcements and other financial disclosures/reports under regulatory requirements. In addition, the Audit Committee has been established to monitor the financial reporting process and the integrity of financial statements of the Company. • From 2004 to 2012, the Company's annual report were awarded by independent associations. Please refer to the detail listed in page 59 to 60.

Compliance of the Code on Corporate Governance Code *(continued)*

C. ACCOUNTABILITY AND AUDIT *(continued)*

C.1 Financial reporting (continued)

Code Provisions	Compliance	Details of Compliance
• All members of the board and each director should be provided with monthly updates.	Yes	• The management submit the analysis report of operational activities and financial briefing report monthly to the executive directors of the Board in order to make sure that the Board knows the Company's operational and financial conditions in a timely manner.
• The director should prepare the accounts on a going concern basis, with supporting assumptions or qualifications.	Yes	• The Company's directors reviewed all the Company's operational business and were of the view that they are sustainable up to date and the accounts were prepared on the basis that the Company is operated on a sustainable basis.
• The Corporate Governance Report should cover material uncertainties on the Company's ability to continue as a going concern.	Yes	• The Company's directors reviewed all the Company's operational business and were of the view that up to date there's no material ambiguous events or conditions that may impact the Company's sustainable operation.
• A separate statement should be included in the annual report containing the analysis of the Groups' performance, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives.	Yes	• Besides Management Discussion and Analysis in the Company's annual report, an additional chapter of Director's Report was created to independently state the Group's performance and development strategies.

Compliance of the Code on Corporate Governance Code *(continued)*

C. ACCOUNTABILITY AND AUDIT *(continued)*

C.2 Internal controls

Code Principle

The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Code Provisions	Compliance	Details of Compliance
• The directors should at least annually conduct a review of the effectiveness of the system of internal control.	Yes	• The Board has conducted a review of the effectiveness of the system of internal control and risk management of the Group covering all material controls including financial, operational and compliance controls, and risk management functions for the year 2014.
• Board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.	Yes	• The Board has included in its annual review the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget for the year under review.

Recommended Best Practice	Compliance	Details of Compliance
• Issuers should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period.	Yes	• The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. • The Board will also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. • The Group has implemented ERP and installed SAP, which served to recognise, review and improve all control points in our operational and financial system on-goingly. SAP also enhances the financial reporting system by providing more accurate and timely information. • The Company has implemented a GRC system developed by IBM jointly with Digital China Holdings Limited. Under the system, authorised users can access to and share information across the Group, which in turn helps enhancing the internal control system. On the other hand, active risk management model has been promoted and implemented in subsidiaries of the Group. Such model encourages the subsidiaries to identify and assess risks actively in order to achieve effective control over these risks. • The Group has made adjustments to the authority management system according to the development of each company. Clear division of authority between the shareholders, directors and management was defined so that a balance between management efficiency and risk management can be achieved.

Compliance of the Code on Corporate Governance Code *(continued)*

C. ACCOUNTABILITY AND AUDIT *(continued)*

C.2 Internal controls (continued)

Recommended Best Practice	Compliance	Details of Compliance
		• The Group has established written procedures and an assessment system on assessing the effectiveness of the system of internal control and risk management of the Group. • A designated inspection team is responsible for performing the internal control and risk management work of the Group with reference to established procedures and an assessment system. • The Company has designed a customised balanced score card for each of its subsidiaries after taken into account the resources and customer nature of that subsidiary. As such, the achievement of major business targets and financial indicators in each subsidiary will be monitored monthly. The progress on the implementation of operational measures which have significant impact on its profitability will also be assessed. In case any problem arises, new operational policies will be formulated in a timely manner. • The risk management team will evaluate the operational risks of the enterprises and formulate action plans for managing significant risks. • Reports on each subsidiary of the Group will be produced for consideration. • The designated team will monitor the performance of those subsidiaries with low assessment results and will give advice on measures to be taken by such subsidiaries. • During the year under review, some internal control weaknesses have been found and corrected. There have not been any significant problems relating to the internal control aspects of the Group.

Compliance of the Code on Corporate Governance Code *(continued)*

C. ACCOUNTABILITY AND AUDIT *(continued)*

C.3 Audit committee

Code Principle

The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee should be established with a clear terms of reference.

Audit Committee

During the year, Mr. Zhang Gang and Mr. Lim Haw Kuang resigned as the member of Audit Committee, Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn have been appointed to fill up the vacancy. On 30 May 2014, Ms. Yien Yu Yu, Catherine was elected as the Chairman of the Audit Committee as Mr. Kong Chung Kau retired from the Board of Directors. The Audit Committee was established on 28 March 2001 and consists of the following members as at 31 December 2014:

Ms. Yien Yu Yu, Catherine	(Independent Non-executive Director and Chairman of the Audit Committee)
Mr. Wang Guangtian	(Independent Non-executive Director)
Mr. Ma Zhixiang	(Independent Non-executive Director, appointed on 24 March 2014)
Mr. Yuen Po Kwong	(Independent Non-executive Director, appointed on 24 March 2014)
Mr. Law Yee Kwan, Quinn	(Independent Non-executive Director, appointed on 30 May 2014)

The Audit Committee is primarily responsible for the following duties:

1. to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. to develop and implement policy on the engagement of an external auditor to supply non-audit services; and

4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, interim report and to review significant financial reporting judgments contained therein.

The Audit Committee met 3 times during the year under review to consider the interim and annual results of the Group and discuss with the auditors the impact of any change of accounting policies, the scope of work regarding the annual audit and interim review, the supply of non-audit services and the remuneration of the auditors. Attendance record of the Audit Committee members is set out in Section A.1 above.

Auditors' remuneration

For the year ended 31 December 2014, audit services provided to the Group by Deloitte Touche Tohmatsu, the auditors of the Company, and the amounts of remuneration paid and payable in connection therewith are as follows:

	Approximate Amount
Annual audit services fee to Deloitte Touche Tohmatsu	RMB4,650,000
Non-audit services fee to Deloitte Touche Tohmatsu	
• Interim result review	RMB1,011,000
• Issuance of Unsecured Bonds	RMB450,000
Audit services fee paid to other PRC auditors	RMB5,889,000
	RMB12,000,000

Compliance of the Code on Corporate Governance Code *(continued)*

C. ACCOUNTABILITY AND AUDIT *(continued)*

C.3 Audit committee (continued)

Code Provisions	Compliance	Details of Compliance
• Minutes should be kept by a duly appointed secretary and should be sent to all committee members within a reasonable time.	Yes	• Audit Committee minutes and papers are kept by the Company Secretary. Draft Audit Committee minutes is circulated to all the committee members for review and comment and final version of the minutes will be sent to all the committee members for record, as soon as practicable after the relevant Audit Committee meeting.
• A former partner of the existing auditors should not sit on the Audit Committee.	Yes	• None of the Audit Committee members is a former partner of the external auditors of the Group.
• The terms of reference of audit committee should contain the minimum prescribed details in paragraph C.3.3 of Appendix 14 to the Listing Rules and should be made available on the websites of the Stock Exchange and the Company.	Yes	• The Company has established an Audit Committee with terms of reference which meet the requirements as set out in paragraph C.3.3 of Appendix 14 to the Listing Rules. • The terms of reference of the Audit Committee will be updated from time to time to incorporate any relevant amendments made to Appendix 14 of the Listing Rules (if any), and a copy thereof is posted on the Company's website and will be made available on request. The primary responsibilities of the Audit Committee are set out therein.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report the audit committee's recommendation and the board's view.	Yes	• The Board has not had any disagreement with the Audit Committee on the selection, appointment, resignation or dismissal of external auditors. Should there be such a disagreement, the Board will include the relevant details in its Corporate Governance Report.
• The audit committee should be provided with sufficient resources to discharge its duties.	Yes	• The terms of reference of the Audit Committee provide that the members of the Audit Committee may seek outside legal or other independent professional advice as and when necessary at the costs of the Company. • In addition, the Board and the senior management will give full support to the Committee.
• The terms of reference of the audit committee should include duties: (i) to review arrangements for employees and follow up action; and (ii) to act as the key representative body for overseeing the Company's relations with the external auditor.	Yes	• The terms of reference has included the duties on reviewing arrangements for employees and follow up actions, and also acting as the key representative body for overseeing the Company's relations with the external auditors.

Compliance of the Code on Corporate Governance Code *(continued)*

D. DELEGATION BY THE BOARD

D.1 Management functions

Code Principle

An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code Provisions	Compliance	Details of Compliance
• The board must give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board before making decisions or entering into any commitments on the Company's behalf. • Formalise the functions reserved to the board and those delegated to management.	Yes	• The Board has set out in writing clear division of the responsibilities of the Board and the senior management. In general, the Board is responsible for establishing the strategies and direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management, and ensuring good corporate governance. The senior management, which is led by the President (formerly led by CEO), is responsible for executing the strategies and plans set by the Board, and reporting to the Board periodically to ensure proper execution.
• Disclosure of division of responsibility between the board and management to assist those affected by corporate decisions to better understand their respective accountabilities.	Yes	• The Company has written internal guidelines setting out the division of responsibilities between the Board and management of the Company. In addition, the Board has made such disclosure to the Directors, the management and other staff by various means including internal circulars and meetings with management and staff.
• Formal letters of appointment for directors setting out the key terms and conditions relative to their appointment so that directors understand the delegation arrangements.	Yes	• It is the practice of the Company to enter into (i) a written service contract with each Executive Director setting out the rights, obligation, duties, responsibilities and other terms and conditions of his/her appointment, and (ii) a letter of appointment with each Non-executive Director confirming the terms of his/her appointment. • Upon expiry, all such service contracts and letters of appointment will continue thereafter based on the original terms and conditions unless and until terminated by either party by giving prior written notice. • No new service contracts and letters of appointment will be entered into by the Company separately for the purpose of renewing the existing ones.

Compliance of the Code on Corporate Governance Code *(continued)*

D. DELEGATION BY THE BOARD *(continued)*

D.2 Board committees

Code Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

The Board has established the following committees with defined terms of reference:

1. Audit Committee;
2. Remuneration Committee; and
3. Nomination Committee.

Further details of the Remuneration Committee, the Audit Committee and Nomination Committee are set out in Sections C.3, B.1 and A.5 above respectively.

Code Provisions	Compliance	Details of Compliance
• Clear terms of reference to enable proper discharge of committee functions.	Yes	• During the year under review, the Company has three Board Committees, being the Audit Committee, the Remuneration Committee and Nomination Committee, each of which has clear written terms of reference setting out details of the authorities and duties of such committee. • The terms of reference of the abovementioned Board Committees are posted on the Company's website and will be available on request.
• The terms of reference should require committees to report back to the board their decisions.	Yes	• The terms of reference of each of the Board Committees contain provisions which require such Board Committee to report back to the Board any decision made by it.

D.3 Corporate governance Functions

The Company has well established its Corporate Governance Functions, by the following procedures:

(a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;

(d) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report from time to time.

The board has been responsible for performing the corporate governance duties and it will also delegate the responsibility to the responsible senior management.

Currently, the Company is developing the code of conduct and compliance manual which will be applicable to employees and directors. Throughout the implementation process, the Company will review and closely monitor its effectiveness.

Compliance of the Code on Corporate Governance Code *(continued)*

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Code Principle

The board should endeavour to maintain an on-going dialogue with shareholders and, in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Code Provisions	Compliance	Details of Compliance
• A separate resolution should be proposed by the chairman for each substantially separate issue.	Yes	• Currently, separate resolutions are proposed at general meeting on each substantially separate issue. For example, a separate resolution will be proposed for each director nominated for election or re-election.
• The chairman of the board should attend the annual general meeting and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee to be available to answer questions at the annual general meeting.	No	• Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting held on 30 May 2014 due to business trip. Alternatively, Mr. Han Jishen, the Executive Director and President of the Company, attended and acted as the chairman of the said annual general meeting.
• The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	• In May 2014, independent directors have considered and approved a connected transaction in relation to the entering into a Master Construction Service Agreement, as well as reviewed and approved the 2014 to 2016 continuing connected transactions in respect of construction service. • In August 2014, the Company held a board meeting to approve a connected transaction in relation to the disposal of the 45% equity interest in Xinao Beihai and 100% equity interest in Xinao Qinshui, and reviewed and approved the 2014 to 2016 continuing connected transactions in respect of LNG Supply. • On October 2014, the Company held a board meeting to approve a connected transaction in relation to the approval of the acquisition of businesses in U.S. and Canada, and the approval was obtained from Independent Non-executive Directors.
• Notice to shareholders should be sent in the case of annual general meeting at least 20 clear business days before the meeting and be sent at least 10 clear business days in the case of all other general meetings.	Yes	• The notice of 2014 annual general meeting was sent to shareholders on 28 April 2014, and the annual general meeting was held on 30 May 2014. • Attendance record of the general meeting is set out in A.1 above.
• The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	Yes	• The board has established a shareholders' communication policy and available at the Company's website at www.ennenergy.com. The board has reviewed it from time to time to ensure its effectiveness.

Compliance of the Code on Corporate Governance Code *(continued)*

E. COMMUNICATION WITH SHAREHOLDERS *(continued)*

E.2 Voting by poll

Code Principle

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Code Provisions	Compliance	Details of Compliance
• Chairman of meeting should adequately explain the detailed poll procedures and answer questions from shareholders regarding voting by poll at the commencement of the meeting.	Yes	• At the annual general meeting held in the year under review, the chairman of the meeting explained the poll procedures in details at the commencement of the meeting. No question regarding voting by poll was raised by shareholders at the meeting.

F. Company Secretary

The Company Secretary supports the Chairman, the Board and Board Committees by ensuring good information flow and that Board policy is followed.

Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the Board through the Chairman and/or the Vice Chairman on governance matters and should also facilitate the induction and professional development of directors.

Code Provisions	Compliance	Details of Compliance
• The company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs.	Yes	• Ms. Wong Chui Lai joined the Company since 2007, she has taken not less than 15 hours of relevant professional training. She has rich knowledge on the day-to-day operation of the Company. • The appointment of the Company Secretary has been appointed and approved by the Board. Full investigation and all-rounded assessment have been taken place in evaluating the skills and knowledge. • The Company Secretary report directly to the Chairman and Vice Chairman and providing full support to the Chairman, the Board and Board Committees by ensuring good information flow and that Board policy and procedures are followed. • All directors may call upon for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.
• Where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact.	N/A	
• The Board should approve the selection, appointment or dismissal of the company secretary.	Yes	
• The company secretary should report to the Board, Chairman and/or the Vice Chairman.	Yes	
• All directors should have access to the advice and services of the company secretary.	Yes	

Compliance of the Code on Corporate Governance Code *(continued)*

G. Shareholders' rights

Convening extraordinary general meeting and putting forward proposals at shareholders' meeting

The Company is committed to ensure shareholders' interest. To this end, the Company communicates with its shareholders through various channels, including annual general meetings, extraordinary general meetings (if any), annual reports, notices of general meetings, circulars sent to shareholders, announcements, press releases and other corporate communications available on the Company's website.

Registered shareholders are notified by post for the shareholders' meetings. Any registered shareholder is entitled to attend annual and extraordinary general meetings of the Company provided that their shares have been fully paid up and recorded in the register of members of the Company. In respect of the financial year ended 31 December 2014, an annual general meeting of the Company will be held on 29 May 2015 and it is currently expected that interim results for the six months ended 30 June 2015 will be announced in August 2015. Notice of the forthcoming annual general meeting will be dispatched to shareholders at least 20 clear business days before the meeting.

Pursuant to article 72 of the Articles of Association of the Company, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) may convene a general meeting by depositing at the principal office of the Company in Hong Kong the written requisition specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) hold(s) as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

The procedures on proposing a person for election as a director is available at the Company's website at www.ennenergy.com.

Enquiries to the Board

Enquiries may be put to the Board through the Company's Principal Place of Business in Hong Kong at Rooms 3101–04, 31st Floor, Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong (email: enn@ennenergy.com).

Additional Corporate Governance Information

H. Constitutional documents

During the year, there is no change in the Company's constitutional documents.

I. Investor relations

The Company regards communication with institutional and other investors as an important means to enhance the transparency of the Group and collecting views and feedbacks from such investors. The Group has an Investor Relations Department to handle matters relating to investor relations. In the year under review, the executive directors and senior management of the Company participated in 31 international investors' conferences and 2 international road shows, covering Hong Kong, Mainland China, Japan, Singapore, Europe and the United States, to communicate with existing shareholders and the investment community in respect of the Group's latest results, prospects and development strategies. In addition, the company led investors to visit the company for nearly 15 batches of city-gas projects and vehicle refuelling stations which further increases the understanding of the investors intuitive on the Group's business.

The Company has also delivered good interim and annual reports to shareholders which allow them to have a basic understanding of the natural gas industry, policy in respective markets, prospect and the financial performance of the Group. In addition, the Company also maintains communication with the media through press conferences, news releases to the media and on the Company's website, and answering enquiries from the media.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Hotline telephone number:	(852) 2528 5666
By fax:	(852) 2865 7204
By post:	Rooms 3101–04, 31/F., Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong
Attention:	Ms. Shirley Kwok
By email:	enn@ennenergy.com

Deloitte.
德勤

TO THE SHAREHOLDERS OF ENN ENERGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ENN Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 172, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB million	2013 RMB million
Revenue	6	**29,087**	22,966
Cost of sales		**(23,018)**	(17,502)
Gross profit		**6,069**	5,464
Other income	7	**271**	238
Other gains and losses	8	**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	9	**(430)**	(567)
Profit before tax	10	**4,747**	2,760
Income tax expense	12	**(1,127)**	(960)
Profit for the year		**3,620**	1,800
Other comprehensive income			
Exchange difference on translating foreign operations		**(2)**	–
Total comprehensive income for the year		**3,618**	1,800
Profit for the year attributable to:			
Owners of the Company		**2,968**	1,252
Non-controlling interests		**652**	548
		3,620	1,800
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**2,966**	1,252
Non-controlling interests		**652**	548
		3,618	1,800

		2014 RMB	2013 RMB
Earnings per share	14		
– Basic		**2.74**	1.16
– Diluted		**2.06**	1.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014 RMB million**	2013 RMB million
Non-current Assets			
Property, plant and equipment	15	**19,441**	17,531
Prepaid lease payments	16	**1,138**	948
Investment properties	17	**83**	76
Goodwill	18	**728**	206
Intangible assets	19	**1,265**	1,294
Interests in associates	20	**882**	804
Interests in joint ventures	21	**3,436**	2,998
Available-for-sale financial assets	22	**114**	114
Other receivables	23	**18**	35
Amounts due from associates	25	**82**	55
Amounts due from joint ventures	26	**155**	183
Deferred tax assets	28	**422**	318
Deposits paid for investments	29	**18**	106
Deposits paid for acquisition of property, and plant and equipment, land use rights and operation rights		**208**	130
Restricted bank deposits	30	**43**	10
		28,033	24,808
Current Assets			
Inventories	31	**510**	419
Trade and other receivables	23	**2,883**	2,829
Prepaid lease payments	16	**26**	23
Amounts due from customers for contract work	32	**207**	193
Amounts due from associates	25	**57**	87
Amounts due from joint ventures	26	**552**	439
Amounts due from related companies	27	**127**	25
Restricted bank deposits	30	**71**	260
Cash and cash equivalents	33	**10,503**	6,822
		14,936	11,097
Assets classified as held for sale	49	**66**	–
		15,002	11,097

	Notes	**2014 RMB million**	2013 RMB million
Current Liabilities			
Trade and other payables	34	**7,262**	6,166
Amounts due to customers for contract work	32	**2,368**	2,033
Amounts due to associates	25	**89**	88
Amounts due to joint ventures	26	**1,413**	1,187
Amounts due to related companies	35	**239**	18
Taxation payables		**442**	319
Bank and other loans – due within one year	36	**1,530**	921
Financial guarantee liability	37	**48**	59
Obligations under finance leases	38	**10**	–
Deferred income	39	**105**	78
		13,506	10,869
Liability associated with assets classified as held for sale		**34**	–
		13,540	10,869
Net Current Assets		**1,462**	228
Total Assets less Current Liabilities		**29,495**	25,036
Capital and Reserves			
Share capital	40	**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	36	**1,476**	1,902
Corporate bond	41	**498**	497
Senior notes	42	**4,522**	4,498
Medium-term notes	43	**700**	700
Convertible bonds at fair value through profit and loss	44	**3,356**	3,925
Unsecured bonds	45	**2,418**	–
Deferred tax liabilities	28	**379**	399
Deferred income	39	**1,572**	1,223
Obligations under finance leases	38	**33**	–
		14,954	13,144
		29,495	25,036

The consolidated financial statements on pages 89 to 172 were approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Wang Yusuo
DIRECTOR

Yu Jianchao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Equity attributable to owners of the Company									Equity attributable to non-controlling interests	Total equity
	Share capital RMB million (Note 40)	Share premium RMB million	Special reserve RMB million (note a)	Share options reserve RMB million	Exchange reserve RMB million	Statutory surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	RMB million	RMB million
Balance at 1 January 2013	113	1,541	(18)	3	–	504	39	6,471	8,653	2,017	10,670
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	1,252	1,252	548	1,800
Acquisition of assets through acquisition of subsidiaries (Note 48)	–	–	–	–	–	–	–	–	–	8	8
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	198	198
Disposal of subsidiaries and derecognition of a subsidiary (Note 49)	–	–	–	–	–	–	–	–	–	(7)	(7)
Dividend appropriation (Note 13)	–	(362)	–	–	–	–	–	–	(362)	–	(362)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(415)	(415)
Lapse of share options (Note 46)	–	–	–	(1)	–	–	–	1	–	–	–
Transfer to statutory surplus reserve fund	–	–	–	–	–	115	–	(115)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	2	(2)	–	–	–
Balance at 31 December 2013	113	1,179	(18)	2	–	619	41	7,607	9,543	2,349	11,892
Profit for the year	–	–	–	–	–	–	–	2,968	2,968	652	3,620
Other comprehensive income for the year – Exchange difference on translating foreign operations	–	–	–	–	(2)	–	–	–	(2)	–	(2)
Profit and total comprehensive income for the year	–	–	–	–	(2)	–	–	2,968	2,966	652	3,618
Issue of shares upon exercise of share option (Note 46)	–	4	–	(1)	–	–	–	–	3	–	3
Acquisition of business (Note 47)	–	–	–	–	–	–	–	–	–	25	25
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	56	56
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(22)	(22)
Dividend appropriation (Note 13)	–	(414)	–	–	–	–	–	–	(414)	–	(414)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(617)	(617)
Transfer to statutory surplus reserve fund	–	–	–	–	–	541	–	(541)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	3	(3)	–	–	–
Balance at 31 December 2014	113	769	(18)	1	(2)	1,160	44	10,031	12,098	2,443	14,541

Notes:

a. The balance represented the difference between paid up capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition amounting to RMB2 million during the group restructuring carried out for the purpose of initial offering of the Company's shares in 2001 and the difference between the fair value and the carrying values of the underlying assets and liabilities attributable to the additional acquisition of interest in subsidiaries of RMB20 million.

b. In accordance with the People's Republic of China ("PRC") regulations, the statutory surplus reserve fund retained by subsidiaries in the PRC is non-distributable.

c. Pursuant to relevant PRC regulation, the Group is required to transfer 1.5% on revenue generated from transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the year represents the difference between the amount provided based on the relevant PRC regulation and the amount utilised during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB million	2013 RMB million
OPERATING ACTIVITIES			
Profit before tax		**4,747**	2,760
Adjustments for:			
Share of results of associates		**(87)**	(84)
Share of results of joint ventures		**(542)**	(359)
Exchange difference		**16**	(109)
Fair value loss of convertible bonds		**(569)**	784
Gain on re-measurement of assets upon step acquisition of a business		**–**	(24)
Impairment loss (reversal) on trade and other receivables, net		**4**	(5)
(Gain) loss on disposal of property, plant and equipment		**(4)**	7
Gain on disposal of prepaid lease payments		**(5)**	(3)
(Gain) loss on disposal of controlling interest in an associate		**(13)**	1
(Gain) loss on disposal of controlling interest in a joint venture		**(1)**	–
Gain on disposal of subsidiaries	49	**(53)**	(1)
Increase in fair value of investment properties		**(6)**	(10)
Depreciation of property, plant and equipment		**738**	635
Amortisation of intangible assets		**79**	73
Release of prepaid lease payments		**26**	21
Financial guarantee income		**(11)**	(11)
Bank interest income		**(125)**	(72)
Finance costs		**430**	567
Deferred income released to profit or loss		**(90)**	(71)
		4,534	4,099
Movements in working capital:			
Increase in inventories		**(52)**	(105)
Decrease (increase) in trade and other receivables		**149**	(654)
Increase in amounts due from customers for contract work		**(14)**	(13)
(Increase) decrease in amounts due from associates		**(32)**	8
Decrease in amounts due from joint ventures		**15**	34
Increase in amounts due from related companies		**(30)**	(3)
Increase in trade and other payables		**1,053**	1,199
Increase in amounts due to customers for contract work		**335**	582
Increase (decrease) in amounts due to joint ventures		**85**	(110)
Increase in amounts due to associates		**10**	1
Increase (decrease) in amounts due to related companies		**167**	(11)
Cash generated from operations		**6,220**	5,027
PRC enterprise income tax paid		**(1,137)**	(1,001)
Net cash generated from operating activities		**5,083**	4,026

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	**2014 RMB million**	2013 RMB million
INVESTING ACTIVITIES			
Dividend received from joint ventures		**309**	120
Dividend received from associates		**25**	3
Interest received		**125**	72
Deferred income received		**466**	345
Purchase of property, plant and equipment		**(2,507)**	(2,941)
Increase in prepaid lease payments		**(220)**	(167)
Deposits paid for investments		**(11)**	(106)
Deposits paid for prepaid lease payment		**–**	(12)
Deposits paid for operation rights		**(5)**	(31)
Deposits paid for acquisition of property, plant and equipment		**(64)**	(2)
Net cash outflow on acquisition of subsidiaries	47&48	**(1,164)**	(46)
Net cash inflow (outflow) on disposal of subsidiaries	49	**214**	(12)
Proceeds from disposal of controlling interests in associates		**40**	13
Proceeds from disposal of controlling interests in a joint venture		**27**	–
Proceeds from capital released from a joint venture		**18**	–
Investments in joint ventures		**(229)**	(375)
Investments in associates		**(43)**	(26)
Acquisition of intangible assets		**(11)**	(20)
Proceeds from disposal of property, plant and equipment		**54**	35
Proceeds from disposal of prepaid lease payments		**19**	6
Proceeds from disposal of investment properties		**–**	3
Addition of in restricted bank deposits		**(61)**	(152)
Release of in restricted bank deposits		**217**	215
Amounts advanced to associates		**(30)**	(29)
Amounts repaid by associates		**65**	15
Amounts advanced to joint ventures		**(144)**	(337)
Amounts repaid by joint ventures		**250**	335
Amounts advanced to related companies		**(74)**	–
Amounts repaid by related companies		**2**	–
Net cash used in investing activities		**(2,732)**	(3,094)
FINANCING ACTIVITIES			
Interest paid		**(477)**	(614)
Net proceeds from shares issued on exercise of share options		**3**	–
Proceeds from issuance of convertible bonds		**–**	3,141
Proceeds from issuance of unsecured bonds		**2,460**	–
Transaction costs incurred for issue of convertible bonds		**(31)**	(64)
Repayment of short-term debentures		**–**	(1,200)
Contribution from non-controlling shareholders		**56**	198
Dividends paid to non-controlling shareholders		**(617)**	(415)
Dividends paid to shareholders		**(414)**	(362)
New bank loans raised		**2,356**	4,290
Repayment of bank loans		**(2,185)**	(5,649)
Prepayment of up front fee of bank borrowings		**–**	(17)
Amounts advanced from associates		**1**	79
Amounts repaid to associates		**(10)**	(12)
Amounts advanced from joint ventures		**485**	660
Amounts repaid to joint ventures		**(344)**	(259)
Amounts advanced from related companies		**57**	2
Amounts repaid to related companies		**(3)**	(1)
Net cash generate from (used in) financing activities		**1,337**	(223)

	Note	2014 RMB million	2013 RMB million
Net increase in cash and cash equivalents		**3,688**	709
Effect of foreign exchange rate changes		**(7)**	(43)
Cash and cash equivalents at the beginning of the year		**6,822**	6,156
Cash and cash equivalents at the end of the year		**10,503**	6,822

1. General Information

ENN Energy Holdings Limited (the "Company") is an exempted company incorporated in the Cayman Islands under the Companies Law and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Company's Annual Report.

The consolidated financial statements are presented in Renminbi, which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 57.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised 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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

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.

Key requirements of HKFRS 9 are described as follows:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 30. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

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.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specific by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies *(continued)*

Business combinations

Acquisitions of non-common control businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating units, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. Significant Accounting Policies *(continued)*

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value on the date it lost significant influence or joint control over the investee and the fair value is regarded as its fair value on initial recognition. Upon disposal or partial disposal of the Group's interest in an associate or a joint venture, the difference between the carrying amount of the associate or joint venture at the date the Group lost significant influence or joint control over the investee, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

3. Significant Accounting Policies *(continued)*

Interests in associates and joint ventures *(continued)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKA 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Gas connection revenue is recognised when the outcome of a contract can be estimated reliably and the stage of completion at the end of the reporting period can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the year. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Service income is recognised at the time when services are provided.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Transfer of assets from customers

When the Group receives cash from a customer for the construction or acquisition of an item of property, plant and equipment and the Group must then use the item of property, plant and equipment to provide the customer with ongoing access to a supply of gas, the item of property, plant and equipment is recognised in accordance with HKAS 16 "Property, Plant and Equipment" and the revenue (the credit resulting from the initial recognition of the item of property, plant and equipment) is recognised in accordance with HKAS 18 "Revenue".

When an ongoing service is identified as part of the agreement, the period over which revenue is recognised for that service is generally determined by the terms of the agreement with the customer. When the agreement does not specify a period, the revenue is recognised over a period no longer than the useful life of the relevant property, plant and equipment used to provide the ongoing service.

Gas connection contracts

Where the outcome of a gas connection contract can be estimated reliably and the stage of contract completions at the end of the reporting period can be measured reliably, contract costs are charged to the consolidated statement of profit or loss and other comprehensive income by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as revenue from gas connection contract is recognised.

Where the outcome of a gas connection contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

When a gas connection contract provides that the Group is committed to provide ongoing access to gas supply, revenue is recognised on a straight-line basis over the life of the connection service and gas supply period. The unearned portion of the gas connection income received is stated as deferred income in the consolidated statement of financial position.

3. Significant Accounting Policies *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those classified as investment properties and accounted for using the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency transaction reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit scheme contribution

Payable to the Mandatory Provident Fund Scheme and the retirement funds scheme managed by local social security bureau in accordance with the government regulations of the PRC, and are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. Significant Accounting Policies *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax for the year are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment included building and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost or deemed cost for properties transferred from investment properties, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production or supply of goods or services, or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the costs of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the profit or loss in the period which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

For a transfer from investment property to property, plant and equipment, the investment property is measured at the fair value at the date of transfer. Gain or losses arising from changes in the fair value of investment property are recognised in the profit or loss for the period in which the investment property is transferred. The fair value of the investment property will be recognised as the deemed cost of the property for subsequent accounting in accordance with the accounting policy of property, plant and equipment as set out above.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the reporting period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Significant Accounting Policies *(continued)*

Intangible assets *(continued)*

Research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the reporting period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories, including construction materials, gas appliances and gas for sales, consumables and spare parts, are stated at the lower of cost and net realisable value. Costs are determined using weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale.

3. Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from associates, amounts due from joint ventures, amounts due from related companies, restricted bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as or not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amounts due from associates, joint ventures and related parties, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivables, amounts due from associates, amounts due from joint ventures and amounts due from related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance accounts are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to associates, amounts due to joint ventures, amounts due to related companies, bank and other loans, short-term debentures, medium-term notes, senior notes and guaranteed notes) are subsequently measured at amortised cost using the effective interest method.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant reporting periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group is initially measured at its fair value and if not designated as at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Convertible bonds

The group designated the convertible bonds as financial liabilities at fair value through profit or loss ("FVTPL") as the convertible bonds contained one or more embedded derivatives and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "other gains and losses" line item.

Derecognition

The Group derecognises a financial asset only when the rights to receive cash flows from the assets expire or, when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group neither transferred nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the calculation of the recoverable amount are set out in Note 18.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires the estimation of the value in use of the cash-generating units to which intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment in the reporting periods in which such estimate has been changed. At 31 December 2014, the carrying amount of trade and other receivables after deducting the impairment recognised is RMB1,631 million (2013: RMB1,292 million). Details of movement in impairment on trade and other receivables are set out in Note 23.

5. Capital Management and Financial Instruments

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the entities and to maximise the return to the equity holders of the entities. The capital structure of the Group consists of net debt (borrowings disclosed in Notes 36, 41, 42, 43, 44 and 45, net of cash and cash equivalents) and total equity of the Group.

The Group manages its capital base through net gearing ratio. The Directors review the capital structure on a semi-annual basis. The Group has a target of net gearing ratio below 100% and will maintain the ratio within target by issue of new debts, repayment of debts, issue of new shares, repurchase of shares or payment of dividends. The Group's overall strategy remains unchanged from prior year. The gearing ratio at the end of the reporting period was as follows:

	2014 **RMB million**	2013 RMB million
Bank and other loans	**3,006**	2,823
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**	–
	14,500	12,443
Less: Cash and cash equivalents	**(10,503)**	(6,822)
Net debt	**3,997**	5,621
Total equity	**14,541**	11,892

	2014 **%**	2013 %
Net debt to total equity ratio	**27.5**	47.3

The entities comprising the Group are not subject to externally imposed capital requirements.

b. Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	2014 **RMB million**	2013 RMB million
Financial assets		
Available-for-sale financial assets	**114**	114
Loans and receivables (including cash and cash equivalents)	**13,085**	9,306
Financial liabilities		
Financial liabilities at fair value through profit or loss	**3,356**	3,925
Financial liabilities at amortised cost	**15,971**	12,640
Financial guarantee liability	**48**	59

5. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, trade and other receivables, available-for-sale financial assets, amounts due from/to associates, joint ventures and related companies, cash and cash equivalents, restricted bank deposits, trade and other payables, bank and other loans, corporate bond, senior notes, medium-term notes, convertible bonds at fair value through profit or loss and financial guarantee liability and unsecured bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and other price risk.

Foreign currency risk management

Except for the functional currency of the Group's entities established in the Europe, United States and Canada is the European Dollar ("EUR"), United States Dollar ("USD") and Canadian Dollar ("CAD"), respectively, the functional currency of the Group's entities is RMB in which most of the transactions are denominated. However, certain loans, senior notes, unsecured bonds and convertible bonds issued by the Group and certain bank balances kept by the Group are denominated in foreign currencies.

The Group currently does not have a foreign currency hedging policy but the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Foreign currency:				
USD	**2,318**	376	**11,285**	9,413
Hong Kong Dollar ("HKD")	**24**	26	**–**	–

The following table details the Group's sensitivity to a reasonably possible change in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a change in foreign currency rates as set out below:

	United States Dollar		**Hong Kong Dollar**	
	2014 %	2013 %	**2014 %**	2013 %
Possible change in exchange rate	**5**	5	**5**	5

	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
(Decrease) increase in profit for the year:				
– if RMB weakens against foreign currencies	**(448)**	(452)	**1**	1
– if RMB strengthens against foreign currencies	**448**	452	**(1)**	(1)

Interest rate risk management

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the cost of borrowings. Accordingly, the Group will enter into interest rate swap arrangement to mitigate the interest rate risks if appropriate.

5. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Interest rate risk management (continued)

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to non-current amounts due from associates and joint ventures, and fixed-rate bank and other loans, corporate bond, senior notes, medium-term notes and unsecured bonds (see Notes 25, 26, 36, 41, 42, 43 and 45 for details of these amounts, loans, debentures, bonds and notes respectively).

The fair value interest rate risk on bank balance and deposits is insignificant as the terms of the fixed deposits are relatively short.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate bank loans (see Note 36 for details of these amounts).

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the floating-rate financial instruments. The analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year and excluding the interest expected to be capitalised.

	2014 **%**	2013 %
Reasonably possible change in interest rate	**75 basis points**	75 basis points

	2014 **RMB million**	2013 RMB million
(Decrease) increase in profit for the year		
– as a result of increase in interest rate	**(19)**	(17)
– as a result of decrease in interest rate	**19**	17

The possible change in the interest rate does not affect the equity of the Group in both years.

Credit risk management

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liability in relation to the financial guarantee provided by the Group as disclosed in Note 37.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt, advances to associate, joint venture and related party at each half-year end date and at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of the risk arising from the provision of financial guarantee, the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are reputational international and PRC banks with high credit-ratings assigned by international credit-rating agencies or regulated by PRC government.

The Group has no significant concentration of credit risk to certain counterparties as, the exposure are spread over a number of counterparties and customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for over 90% trade receivables at 31 December 2013 and 2014.

5. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Liquidity risk management

To manage the liquidity risk, the Group reviews the level of cash and cash equivalents to ensure their adequacy to finance the Group's operations, capital expansion plans and mitigate the effects of fluctuation in cash flows. The Group also reviews the utilisation of borrowings and ensures the compliance of loan covenants.

The Group relies on bank and other loans as a significant source of liquidity. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate existed at the end of the reporting period.

	Weighted average interest rate %	Repayable on demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	Over five years RMB million	Total undiscounted cash flow RMB million	Carrying amount at end of the reporting period RMB million
At 31 December 2014									
Trade and other payables		3,131	–	–	–	–	–	3,131	3,131
Amounts due to associates		69	–	–	–	–	–	69	69
Amounts due to joint ventures		1,345	–	–	–	–	–	1,345	1,345
Amounts due to related companies		239	–	–	–	–	–	239	239
Bank and other loans									
– fixed rate	5.16	575	–	–	–	–	–	575	570
– variable rate	5.09	1,059	471	496	373	193	113	2,705	2,436
Medium-term notes	5.55	39	39	739	–	–	–	817	700
Corporate bond	6.45	32	32	32	532	–	–	628	498
Senior notes	6.00	275	275	275	275	275	5,002	6,377	4,522
Unsecured bond	3.25	80	80	80	80	2,527	–	2,847	2,418
Convertible bonds		–	–	–	3,137	–	–	3,137	3,356
Obligations under finance leases		11	10	10	10	5	–	46	43
Financial guarantee contracts		466	–	–	–	–	–	466	48
		7,321	907	1,632	4,407	3,000	5,115	22,382	19,375
At 31 December 2013									
Trade and other payables		2,829	–	–	–	–	–	2,829	2,829
Amounts due to associates		75	–	–	–	–	–	75	75
Amounts due to joint ventures		1,179	–	–	–	–	–	1,179	1,179
Amounts due to related companies		18	–	–	–	–	–	18	18
Bank and other loans									
– fixed rate	6.10	687	–	–	–	–	–	687	682
– variable rate	6.32	342	472	451	434	358	492	2,549	2,141
Medium-term notes	5.55	39	39	39	739	–	–	856	700
Corporate bond	6.45	32	32	32	32	532	–	660	497
Senior notes	6.00	274	274	274	274	274	5,259	6,629	4,498
Convertible bonds		–	–	–	–	3,126	–	3,126	3,925
Financial guarantee contracts		466	–	–	–	–	–	466	59
		5,941	817	796	1,479	4,290	5,751	19,074	16,603

5. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Liquidity risk management (continued)

The amounts included above for financial guarantee contracts are the maximum exposure to the Group if that amount is claimed by the counterparty to the guarantee and the amount for convertible bonds is the actual payment made by the company assuming the convertible bond to be matured in 2018. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guarantee suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The contractual expiry periods of financial guarantee contracts at the end of the reporting period are as follows:

	2014		2013	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees issued to banks to secure loan facilities granted to associates and a joint venture	**466**	**2017-2020**	466	2017-2020

d. Fair value measurement of financial instruments

The Group measures its convertible bonds at fair value at the end of the reporting period on a recurring basis:

	Fair value as at 31 December		**Fair value hierarchy**	**Valuation technique and key input**
	2014 RMB million	2013 RMB million		
Financial liabilities				
Convertible bonds	**3,356**	3,925	Level 2	Fair values are derived from quoted prices in an over-the-counter-market as adjusted for the effect of market activity level, if any

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values:

	2014		2013	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Fixed-rate bank loans	**570**	**568**	682	681
Senior notes	**4,522**	**5,130**	4,498	4,932
Unsecured bonds	**2,418**	**2,410**	–	–
Medium-term notes	**700**	**699**	700	689
Corporate bond	**498**	**504**	497	509

In the above table, other than the fair values of the senior notes disclosed which are under the fair value hierarchy of Level 2, the rest of the fair values disclosed are under the fair value hierarchy of Level 3. The fair values of the senior notes are derived from the quoted prices in an over-the-counter market as adjusted for effect of market activity level, if any. The fair values of the rest of the financial liabilities at amortised cost are derived from discount cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

5. Capital Management and Financial Instruments *(continued)*

e. Other price risk

The Group is exposed to price risk through the convertible bonds issued during the reporting period as the Group designated the convertible bonds to be financial liabilities at FVTPL and the fair value is determined based on the market price of the convertible bonds.

The Directors do not implement specify measurements to mitigate the price risk because the change in the fair value of convertible bonds does not have impact on the cash flow of the Company and the convertible bond will be ultimately redeemed or converted into the shares of the Company.

If the market price of the convertible bonds increased or decreased by 5%, the Group would recognise additional RMB168 million losses or gains respectively in the profit or loss.

6. Revenue

	2014 **RMB million**	2013 RMB million
Revenue comprises the following:		
Sales of goods		
Sales of piped gas	**17,485**	14,102
Vehicle gas refueling stations	**3,849**	3,085
Wholesale of gas	**2,898**	1,551
Sales of other energy	**54**	61
Sales of gas appliances	**110**	108
Sales of material	**288**	216
	24,684	19,123
Provision of service		
Gas connection fees	**4,403**	3,843
	29,087	22,966

7. Other Income

	2014 **RMB million**	2013 RMB million
Other income includes:		
Incentive subsidies (note)	**79**	84
Bank interest income	**125**	72
Rental income from equipment, net	**10**	9
Financial guarantee income	**11**	11

Note: The amount mainly represents refunds of various taxes as incentives and other incentives in relation to encouragement for development of natural gas business by the government authorities in various cities of the PRC.

8. Other Gains and Losses

	2014 RMB million	2013 RMB million
Impairment (loss) reversed on trade and other receivables, net (Note 23)	**(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 (Note 49)	**53**	1
Increase in fair value of investment properties (Note 17)	**6**	10
Gain on re-measurement of assets upon step acquisition of a business (note b)	**–**	24
Fair value gain (loss) of convertible bonds	**569**	(784)
(Loss) gain on foreign exchange, net (note c)	**(22)**	64
	625	(685)

Notes:

a. In April 2014, the Group disposed 30% of equity interests in an associates 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 between the proceeds and the carrying amount of the Group's investments disposed of 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, Heyuan Piped Gas Development Company Limited ("Heyuan Piped Gas") (Note 47), during the year ended 31 December 2013.

c. 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).

9. Finance Costs

	2014 RMB million	2013 RMB million
Interest on:		
Bank and other loans wholly repayable within five years	**44**	97
Bank loans not wholly repayable within five years	**93**	119
Short-term debentures	**–**	47
Medium-term notes	**39**	39
Senior notes	**277**	278
Corporate bond	**32**	32
Unsecured bonds	**16**	–
	501	612
Less: Amount capitalised under construction in progress (note)	**(71)**	(109)
Transaction costs incurred for issue of convertible bonds (Note 44)	**–**	64
	430	567

Note: Borrowing costs capitalised during both years arose from funds borrowed specifically for the purpose of obtaining qualifying assets. In addition, during the year ended 31 December 2014, the borrowing cost capitalised arose from the pool of general borrowing calculated by applying a capitalisation rate of 3.98% per annum (2013: 4.71% per annum) to expenditure on qualifying assets.

10. Profit Before Tax

	2014 RMB million	2013 RMB million
Profit before tax has been arrived at after (crediting) charging:		
Staff costs, including directors' emoluments	**1,717**	1,613
Less: Amount of other staff costs capitalised under construction in progress	**(44)**	(50)
	1,673	1,563
Depreciation and amortisation:		
Property, plant and equipment	**738**	635
Intangible assets	**79**	73
Total depreciation and amortisation (note)	**817**	708
Release of prepaid lease payments	**26**	21
Auditors' remuneration	**12**	11
Minimum lease payments under operating leases in respect of land and buildings recognised in profit or loss	**88**	76

Note: The amount of total depreciation and amortisation included in cost of sales and administrative expenses are as follows:

	2014 RMB million	2013 RMB million
Depreciation and amortisation included in:		
Cost of sales	**653**	576
Administrative expenses	**164**	132
	817	708

11. Directors', Chief Executive's and Employees' Emoluments

a. Directors' emoluments

Emoluments paid and payable to the Directors for the year were as follows:

	2014					
Name of director	Fee RMB'000	Salaries and allowance RMB'000	Discretionary performance bonus RMB'000	Share-based payment RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Wang Yusuo	–	2,472	–	–	–	2,472
Cheung Yip Sang	–	1,600	46	–	71	1,717
Zhao Jinfeng*	–	237	–	–	–	237
Yu Jianchao	–	571	–	–	–	571
Han Jishen	–	1,380	1,654	–	64	3,098
Zhao Shengli*	–	53	–	–	73	126
Wang Dongzhi	–	960	63	–	64	1,087
Zhao Baoju*	47	–	–	–	–	47
Wang Zizheng**	150	–	–	–	–	150
Jin Yongsheng	200	–	–	–	–	200
Wang Guangtian	200	–	–	–	–	200
Yien Yu Yu, Catherine	200	–	–	–	–	200
Kong Chung Kau*	79	–	–	–	–	79
Zhang Gang*	50	–	–	–	–	50
Ma Zhixiang**	149	–	–	–	–	149
Yuen Po Kwong**	149	–	–	–	–	149
Lim Haw Kuang	200	–	–	–	–	200
Law Yee Kwan, Quinn**	116	–	–	–	–	116
	1,540	7,273	1,763	–	272	10,848

* Ms. Zhao Baoju, Mr. Zhao Shengli and Mr. Zhang Gang resigned from office as directors of the Company on 24 March 2014, and Mr. Zhao Jinfeng and Mr. Kong Chung Kau retired from office as directors of the Company on 30 May 2014.

** Mr. Wang Zizheng has been appointed as non-executive director and Mr. Ma Zhixiang and Mr. Yuen Po Kwong has been appointed as independent non-executive directors of the Company with effect from 24 March 2014, and Mr. Law Yee Kwan, Quinn has been appointed as independent non-executive directors of the Company with effect from 30 May 2014.

11. Directors', Chief Executive's and Employees' Emoluments *(continued)*

a. Directors' emoluments *(continued)*

Emoluments paid and payable to the Directors for the year were as follows: *(continued)*

	2013					
Name of director	Fee RMB'000	Salaries and allowance RMB'000	Discretionary performance bonus RMB'000	Share-based payment RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Wang Yusuo	–	2,495	–	–	–	2,495
Cheung Yip Sang	–	1,869	1,570	–	75	3,514
Zhao Jinfeng	–	576	–	–	–	576
Yu Jianchao	–	576	–	–	–	576
Han Jishen*	–	1,003	1,404	–	75	2,482
Zhao Shengli	–	924	1,251	–	72	2,247
Wang Dongzhi	–	934	–	–	74	1,008
Zhao Baoju	192	–	–	–	–	192
Jin Yongsheng	192	–	–	–	–	192
Wang Guangtian	192	–	–	–	–	192
Yien Yu Yu, Catherine	192	–	–	–	–	192
Kong Chung Kau	192	–	–	–	–	192
Zhang Gang	200	–	–	–	–	200
Lim Haw Kuang*	143	–	–	–	–	143
	1,303	8,377	4,225	–	296	14,201

* Mr. Lim Haw Kuang has been appointed as independent non-executive director and Mr. Han Jishen has been appointed as executive director of the Company with effect from 26 March 2013.

The amounts disclosed above include directors' fees of RMB1,143,000 (2013: RMB919,000) payable to independent non-executive directors. None of the Directors waived any emoluments during both years.

The discretionary performance bonus is determined by reference to the Group performance during the year.

Mr. Cheung Yip Sang, an executive director, has been appointed as the vice chairman, and ceased to act as the chief executive officer; and his role has been taken by Mr. Han Jishen, an executive director and the president of the Company (the ''President") on 24 March 2014. Their emoluments disclosed above include those for services rendered by them as chief executive officer.

b. Five highest paid individuals

The five highest paid individuals of the Group in 2014 and 2013 were all Directors and details of their emoluments are included in Note 11 (a) above.

12. Income Tax Expense

	2014 RMB million	2013 RMB million
PRC Enterprise Income Tax:		
Current tax	**1,148**	992
Under provision in prior years	**33**	20
Withholding tax	**79**	16
	1,260	1,028
Deferred tax (Note 28)		
Current year	**(133)**	(68)
	1,127	960

The charge represents PRC Enterprise Income Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25%.

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 RMB million	2013 RMB million
Profit before tax	**4,747**	2,760
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	**1,127**	960

13. Dividends

	2014 RMB million	2013 RMB million
Final dividend paid in respect of previous financial year	**414**	362

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.

14. 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 owners 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 in issue	**1,082,957,918**	1,082,859,397
Basic earnings per share (RMB per share)	**2.74**	1.16

(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 all the conversion of 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)	**(569)**	–
Earnings for the purpose of diluted earnings per share (RMB million)	**2,399**	1,252
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	**1,163,083,838**	1,083,232,125
Diluted earnings per share (RMB per share)	**2.06**	1.16

15. Property, Plant and Equipment

	Leasehold land and buildings RMB million	Pipelines RMB million	Machinery and equipment RMB million	Motor vehicles RMB million	Office equipment RMB million	Properties under construction RMB million	Total RMB million
Cost							
Balance at 1 January 2013	1,733	10,731	1,252	478	869	2,555	17,618
Acquisition of subsidiaries	12	69	9	1	1	26	118
Additions	92	257	162	55	73	2,395	3,034
Reclassification	440	1,612	80	–	33	(2,165)	–
Disposal of subsidiaries	(4)	–	(2)	–	(3)	–	(9)
Disposals	(19)	(59)	(22)	(39)	(9)	(1)	(149)
Balance at 31 December 2013	2,254	12,610	1,479	495	964	2,810	20,612
Acquisition of subsidiaries	206	17	200	62	15	158	658
Additions	169	244	143	98	38	1,886	2,578
Reclassification	343	2,008	90	–	35	(2,476)	–
Transfer to investment property	(1)	–	–	–	–	–	(1)
Disposal of subsidiaries	(58)	(73)	(256)	(3)	(2)	(63)	(455)
Disposals	(14)	(26)	(228)	(110)	(9)	–	(387)
Balance at 31 December 2014	2,899	14,780	1,428	542	1,041	2,315	23,005
Depreciation and Impairment							
Balance at 1 January 2013	195	1,451	267	259	341	6	2,519
Provided for the year	58	333	103	44	97	–	635
Eliminated on disposals	(6)	(16)	(13)	(31)	(7)	–	(73)
Balance at 31 December 2013	247	1,768	357	272	431	6	3,081
Provided for the year	70	428	91	52	97	–	738
Eliminated on disposal of subsidiaries	(9)	(7)	(105)	(2)	(1)	–	(124)
Eliminated on disposals	(4)	(15)	(6)	(98)	(8)	–	(131)
Balance at 31 December 2014	304	2,174	337	224	519	6	3,564
Carrying Values							
Balance at 31 December 2014	2,595	12,606	1,091	318	522	2,309	19,441
Balance at 31 December 2013	2,007	10,842	1,122	223	533	2,804	17,531

The above items of property, plant and equipment other than properties under construction are depreciated on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 30 years or the term of the leases
Pipelines	Over the shorter of 30 years or the term of the leases
Machinery and equipment	10 years
Motor vehicles	6 years
Office equipment	6 years

At the end of the reporting period, except for certain land and buildings with the carrying value of RMB42 million (2013: RMB43 million) which are located in Hong Kong under long lease, the remaining land and buildings are located in the PRC under medium-term lease.

At the end of the reporting period, the Group is in the process of applying for ownership certificates for its buildings in the PRC amounting to approximately RMB442 million (2013: RMB292 million).

The net book value of motor vehicles of approximately RMB318 million includes an amount of approximately RMB17 million (31 December 2013: nil) in respect of assets held under finance leases.

16. Prepaid Lease Payments

	2014 RMB million	2013 RMB million
The Group's prepaid lease payments comprise land in the PRC under medium-term lease	**1,164**	971
Analysed for reporting purposes as:		
Current portion	**26**	23
Non-current portion	**1,138**	948

At the end of the reporting period, the Group is in the process of applying for the land use right certificates for the land in the PRC amounting to approximately RMB162 million (2013: RMB75 million). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the land use right certificates for the land in the PRC.

17. Investment Properties

	RMB million
Fair value	
At 1 January 2013	69
Net increase in fair value recognised in profit or loss	10
Disposal of investment properties	(3)
At 31 December 2013	76
Net increase in fair value recognised in profit or loss	6
Addition of investment properties	1
At 31 December 2014	83

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the PRC under medium-term.

The fair value of the Group's investment properties at 31 December 2014 and 2013 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty, a firm of independent valuers, on an open market value basis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

18. Goodwill

	2014 RMB million	2013 RMB million
Cost		
At beginning of the year	**257**	247
Arising on:		
Acquisition of businesses (Note 47)	**537**	10
Disposal of a subsidiary (Note 49)	**(15)**	–
At end of the year	**779**	257
Impairment		
At beginning and end of the year	**(51)**	(51)
Carrying amounts		
At end of the year	**728**	206

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGUs"). At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of:

	2014 RMB million	2013 RMB million
Gas refuelling business located in the United States	**487**	–
Gas refuelling business located in Canada	**50**	–
Sale of piped gas business located in Lianyungang, the PRC	**18**	18
Sale of piped gas business located in Kaifeng, the PRC	**16**	16
Sale of piped gas business located in Hangzhou, the PRC	**37**	37
Sale of piped gas business located in Guangdong, the PRC	**21**	21
Production and sale of liquefied natural gas ("LNG") (Note 49)	**–**	15
Other CGUs	**99**	99
	728	206

For the purpose of impairment testing, the recoverable amounts of the CGUs are determined from value in use calculations.

The Group prepares cash flow projection covering a 10-year period (2013: 10-year period). The cash flow projections for the first three years are based on financial budgets approved by management. The 3-year period financial budgets are prepared based on the pattern consistent with the track record of the respective entities taking into account the stage of the development of the respective gas projects. The cash flows beyond the 3-year period are extrapolated using an estimated growth pattern at an annualised growth rates for each CGU ranging from 2.4% to 25.0% (2013: 0.8% to 14.4%) and assuming the gross profit margin will be at the same throughout the 10-year period. The growth rates are based on the management's estimation on the respective entity's projected market share and will not exceed the growth rate of natural gas consumption projected by the relevant government authorities.

The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and determined to discount rate to be from 10% to 13% (2013: 10%).

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of goodwill to exceed the recoverable amount of respective CGUs.

19. Intangible Assets

	Rights of operation RMB million	Customer base RMB million	Total RMB million
Cost			
At 1 January 2013	1,399	50	1,449
Arising on acquisition of subsidiaries (Notes 47 & 48)	109	–	109
Addition	20	–	20
At 31 December 2013	1,528	50	1,578
Arising on acquisition of subsidiaries (Notes 47 & 48)	39	–	39
Addition	11	–	11
At 31 December 2014	1,578	50	1,628
Amortisation			
At 1 January 2013	200	11	211
Charge for the year	71	2	73
At 31 December 2013	271	13	284
Charge for the year	78	1	79
At 31 December 2014	349	14	363
Carrying values			
At 31 December 2014	1,229	36	1,265
At 31 December 2013	1,257	37	1,294

Note: Rights of operation and customer base are amortised on a straight-line method over the operation periods ranging from 8 to 50 years.

20. Interests in Associates

	2014 RMB million	2013 RMB million
Cost of investment in associates		
Listed	**44**	44
Unlisted	**654**	645
Share of post-acquisition profits net of dividend received	**158**	80
	856	769
Deemed capital contribution		
Financial guarantee	**26**	35
	882	804
Market value of the listed equity interests in an associate outside Hong Kong	**17**	17

Included in the interests in associates is goodwill of approximately RMB49 million (2013: RMB49 million) arising on acquisitions of associates.

	2014 RMB million	2013 RMB million
Opening balance	**49**	75
Eliminated on disposal of associates	**–**	(26)
Closing balance	**49**	49

20. Interests in Associates *(continued)*

Details of the Group's material associate as at 31 December 2013 and 2014 are as follows:

Name of company	Form of business structure	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group		Principal activities
			2014	2013	
新能能源有限公司 (Xinneng Energy Company Limited) ("Xinneng Energy")	Incorporated	The PRC	**15%**	15%	Design, construction, equipment installation and operation of a greenfield coal-to-methanol conversion plant

Notes:

a. The Group holds 15% interest in Xinneng Energy and has the power to appoint two directors out of a total eleven directors in Xinneng Energy. Accordingly, the Directors consider that the Group exercises significant influence over this entity and it is therefore classified as associate of the Group.

b. The above associate of the Group which, in the opinion of the Directors, materially affected the results or net assets of the Group. To give details of other associates of the Group would, in the opinion of the Directors, results in particulars of excessive length.

Summarised financial information of a material associate

Summarised financial information in respect of a Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

Xinneng Energy

	2014 RMB million	2013 RMB million
Current assets	**1,001**	886
Non-current assets	**2,318**	2,340
Current liabilities	**1,065**	1,080
Non-current liabilities	**524**	797

	2014 RMB million	2013 RMB million
Revenue	**1,338**	1,496
Profit and total comprehensive income for the year	**381**	327

There is no dividend received from the Xinneng Energy in both years.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2014 RMB million	2013 RMB million
Net assets of Xinneng Energy	**1,730**	1,349
Proportion of the Group's ownership interest in Xinneng Energy and carrying amount of the Group's interest in Xinneng Energy	**260**	202

20. Interests in Associates *(continued)*

Summarised financial information of a material associate *(continued)*

Xinneng Energy (continued)

Aggregate information of associates that are not individually material:

	2014 RMB million	2013 RMB million
Profit and other comprehensive income for the year	**92**	125
Group's share of profit and other comprehensive income from associates for the year	**31**	35
Aggregate carrying amount of the Group's interests in these associates	**622**	602

21. Interests in Joint Ventures

	2014 RMB million	2013 RMB million
Cost of unlisted investments	**2,024**	1,822
Shares of post-acquisition profits, net of dividends received	**1,353**	1,117
	3,377	2,939
Deemed capital contribution		
Financial guarantee	**53**	53
Fair value adjustments on interest-free advances	**6**	6
	59	59
	3,436	2,998

Included in the interests in joint ventures is goodwill of approximately RMB192 million (2013: RMB192 million) arising on acquisitions of joint ventures.

The fair value adjustments on the interest-free advances are calculated by using an effective interest rate at 6.00% (2013: 6.15%) per annum and average terms of 2 years.

Details of the Group's principal joint ventures as at 31 December 2013 and 2014 are as follows:

Name of company	Form of business structure	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group		Principal activities
			2014	2013	
長沙新奧燃氣發展有限公司 ("Changsha Xinao") (note)	Incorporated	The PRC	**55%**	55%	Sales of piped gas
東莞新奧燃氣有限公司 ("Dongguan Xinao") (note)	Incorporated	The PRC	**55%**	55%	Investment in gas pipeline infrastructure and sales of piped gas and gas appliances
煙台新奧燃氣發展有限公司 ("Yantai Xinao")	Incorporated	The PRC	**50%**	50%	Investment in gas pipeline infrastructure and sales of piped gas

21. Interests in Joint Ventures *(continued)*

Note:

The Group holds more than 50% of the registered capital of these entities but it does not has the power to appoint further directors to control these entities and the joint venture partners in each entity controls jointly on the operational and financial policies of each entity. Accordingly, these entities are classified as joint ventures of the Group.

The above table lists the joint ventures of the Group which in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other joint ventures of the Group would, in the opinion of the Directors, results in particulars of excessive length.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in the consolidated financial statements.

Changsha Xinao

	2014 RMB million	2013 RMB million
Current assets	**834**	891
Non-current assets	**240**	37
Current liabilities	**578**	556

The above amounts of assets and liabilities include the following:

	2014 RMB million	2013 RMB million
Cash and cash equivalents	**119**	104
Current financial liabilities (excluding trade and other payables and provisions)	**–**	70

	2014 RMB million	2013 RMB million
Revenue	**2,050**	1,629
Profit and other comprehensive income for the year	**176**	76
Dividends received from Changsha Xinao during the year	**45**	22

The above profit for the year include the following:

	2014 RMB million	2013 RMB million
Depreciation and amortisation	**5**	2
Interest income	**1**	1
Interest expense	**8**	5
Income tax expense	**41**	29

21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures *(continued)*

Changsha Xinao (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in from Changsha Xinao recognised in the consolidated financial statements:

	2014 RMB million	2013 RMB million
Net assets of Changsha Xinao	**496**	372
Proportion of the Group's ownership interest in Changsha Xinao	**273**	205
Capitalisation of financial guarantee	**4**	4
Carrying amount of the Group's interest in Changsha Xinao	**277**	209

Dongguan Xinao

	2014 RMB million	2013 RMB million
Current assets	**740**	854
Non-current assets	**2,325**	2,227
Current liabilities	**1,182**	1,285
Non-current liabilities	**190**	293
Non-controlling interests	**129**	117

The above amounts of assets and liabilities include the following:

	2014 RMB million	2013 RMB million
Cash and cash equivalents	**445**	305
Current financial liabilities (excluding trade and other payables and provisions)	**383**	404
Non-current financial liabilities (excluding trade and other payables and provisions)	**187**	289

	2014 RMB million	2013 RMB million
Revenue	**3,361**	2,626
Profit and other comprehensive income for the year	**403**	345
Dividends received from Dongguan Xinao during the year	**124**	41

21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures *(continued)*

Dongguan Xinao (continued)

The above profit for the year include the following:

	2014 RMB million	2013 RMB million
Depreciation and amortisation	**77**	61
Interest income	**4**	4
Interest expense	**43**	48
Income tax expense	**148**	147

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dongguan Xinao recognised in the consolidated financial statements:

	2014 RMB million	2013 RMB million
Net assets of Dongguan Xinao	**1,564**	1,386
Proportion of the Group's ownership interest in Dongguan Xinao	**860**	762
Goodwill	**31**	31
Carrying amount of the Group's interest in Dongguan Xinao	**891**	793

Yantai Xinao

	2014 RMB million	2013 RMB million
Current assets	**363**	306
Non-current assets	**614**	576
Current liabilities	**410**	352
Non-current liabilities	**2**	2

The above amounts of assets and liabilities include the following:

	2014 RMB million	2013 RMB million
Cash and cash equivalents	**256**	207
Current financial liabilities (excluding trade and other payables and provisions)	**–**	10
Non-current financial liabilities (excluding trade and other payables and provisions)	**1**	1

	2014 RMB million	2013 RMB million
Revenue	**1,022**	848
Profit and other comprehensive income for the year	**109**	83
Dividend received from Yantai Xinao during the year	**36**	–

21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures *(continued)*

Yantai Xinao (continued)

The above profit and other comprehensive income for the year include the following:

	2014 RMB million	2013 RMB million
Depreciation and amortisation	**29**	28
Interest income	**2**	1
Interest expense	**–**	1
Income tax expense	**36**	28

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yantai Xinao recognised in the consolidated financial statements:

	2014 RMB million	2013 RMB million
Net assets of Yantai Xinao	**565**	529
Proportion of the Group's ownership interest in Yantai Xinao	**283**	265
Goodwill	**8**	8
Capitalisation of financial guarantee	**1**	1
Carrying amount of the Group's interest in Yantai Xinao	**292**	274

Aggregate information of joint ventures that are not individually material:

	2014 RMB million	2013 RMB million
The Group's share of profit and total comprehensive income	**168**	86

22. Available-for-Sale Financial Assets

	2014 RMB million	2013 RMB million
Unlisted equity securities, at cost less impairment	**114**	114

The above unlisted investment represents investment in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

23. Trade and Other Receivables

	2014 RMB million	2013 RMB million
Trade receivables	**953**	787
Less: Impairment	**(60)**	(52)
	893	735
Other receivables		
Current	**730**	536
Non-current (note a)	**18**	35
	748	571
Less: Impairment	**(10)**	(14)
	738	557
Notes receivable (note b)	**278**	428
Advance to suppliers, deposits and prepayments	**992**	1,144
Total trade and other receivables	**2,901**	2,864

	2014 RMB million	2013 RMB million
Analysed for reporting purpose as:		
Current portion	**2,883**	2,829
Non-current portion	**18**	35
	2,901	2,864

Notes:

a. The non-current amounts represent advances to non-controlling shareholders of certain subsidiaries of the Company. The amounts are unsecured, interest-free and will be settled through future distribution of dividend by the relevant subsidiaries to the non-controlling shareholders. The Directors consider that the balances will not be repayable within one year, therefore, they are classified as non-current assets.

b. The notes receivable were endorsed for guarantee payments by PRC banks and the default risk is considered to be minimal.

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 invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 RMB million	2013 RMB million
Within three months	**792**	663
4 to 6 months	**52**	40
7 to 9 months	**32**	19
10 to 12 months	**17**	13
	893	735

23. Trade and Other Receivables *(continued)*

The following is an aged analysis of notes receivable, presented based on the date of notes receivable received at the end of the reporting period:

	2014 RMB million	2013 RMB million
Within three months	**245**	353
4 to 6 months	**33**	75
	278	428

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The Directors are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired as at the end of the reporting period is good as the repayment history of the debtors is satisfactory.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB265 million (2013: RMB682 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 123 days (2013: 67 days).

Aged analysis of trade receivables which are past due but not impaired

Except for certain trade receivable past due beyond one year, the Group has fully provided for all receivables over one year because historical experience is that receivables that are past due beyond one year are generally not recoverable. No impairment has been made to the remaining receivables past due as the Group is satisfied with the subsequent settlements from the debtors and the credit quality of these customers.

	2014 RMB million	2013 RMB million
Within one year	**265**	682

Movements in the impairment on trade receivables

	2014 RMB million	2013 RMB million
Balance at beginning of the year	**52**	56
Impairment losses recognised on receivables	**24**	18
Amounts recovered during the year	**(16)**	(22)
Balance at end of the year	**60**	52

All trade receivables are assessed not to be impaired individually and therefore, they are subsequently assessed for impairment on a collective basis. The Group does not hold any collateral over these balances.

Movements in the impairment on other receivables

	2014 RMB million	2013 RMB million
Balance at beginning of the year	**14**	15
Amounts recovered during the year	**(4)**	(1)
Balance at end of the year	**10**	14

The Directors are of the opinion that except for those other receivables that are impaired, the remaining other receivables are not impaired as the counterparties are either affiliates of non-controlling shareholders of subsidiaries or with satisfactory repayment history.

24. Transfer of Financial Assets

The following were the Group's financial assets as at 31 December 2014 that were transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and the corresponding liabilities included in secured borrowings or trade payables respectively. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivable discounted to banks RMB million	**Bills receivable endorsed to suppliers** RMB million	**Total** RMB million
Carrying amount of transferred assets	23	347	370
Carrying amount of associated liabilities	(23)	(347)	(370)
	–	–	–

25. Amounts Due from/to Associates

	2014 **RMB million**	2013 RMB million
Amounts due from associates:		
Current portion	**57**	87
Non-current portion	**82**	55
	139	142
Amounts due to associates	**89**	88

Included in the amount due from/to associates are trade receivables amounting to approximately RMB76 million (2013: RMB45 million) and trade payables amounting to approximately RMB24 million (2013: RMB13 million) and the aged analysis presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting period is as follows:

	2014 **RMB million**	2013 RMB million
Trade receivables due from associates		
Within three months	**33**	26
4 to 6 months	**7**	5
7 to 9 months	**8**	7
10 to 12 months	**9**	2
More than one year	**19**	5
	76	45

25. Amounts Due from/to Associates *(continued)*

	2014 RMB million	2013 RMB million
Trade payables due to associates		
Within three months	**10**	12
10 to 12 months	**1**	–
Over one year	**13**	1
	24	13

Owing the strategic relationship with the associates, there is no formal credit policy applied to above balances by the Group and in the opinion of the Directors, the above balances are not overdue.

The amounts due from/to associates are unsecured, interest-free and repayable on demand except for the as amounts due from/to associates detailed in the following table.

	Maturity date	Effective interest rate per annum	2014 RMB million	2013 RMB million
Loan receivables due from associates				
Secured	07/07/2015-15/12/2015	6.6%-6.9%	**18**	–
Unsecured	20/01/2015-31/12/2016	6%-7.36%	**24**	–
			42	–
Loan payables due from associates				
Unsecured		0.35%	**63**	–

The interest-free amounts due from associates that the Group expects to recover after one year from the end of the reporting period are stated at fair value calculated by using an effective interest rate at 6.00% (2013: 6.15%) per annum. For the remaining amounts due from associates, the Directors expect the amounts will be recoverable within one year from the end of the reporting period.

The Directors are of the opinion that the amounts due from associates are not impaired as the counterparties are associates that are financially sound.

26. Amounts Due from/to Joint Ventures

	2014 RMB million	2013 RMB million
Amounts due from joint ventures:		
Current portion	**552**	439
Non-current portion	**155**	183
	707	622
Amounts due to joint ventures	**1,413**	1,187

Included in the amounts due from joint ventures was approximately RMB117 million (2013: RMB98 million) arising from the deposits placed for purchases of gas by the Group from the joint ventures which the Directors consider is not impaired. The balance approximates its fair value and is repayable on demand.

26. Amounts Due from/to Joint Ventures *(continued)*

Included in the amounts due from/to joint ventures are trade receivables amounting to approximately RMB225 million (2013: RMB233 million) and trade payables amounting to approximately RMB206 million (2013: RMB70 million) and the aged analysis presented based on invoice date, which approximated the respective revenue recognition date, is as follows:

	2014 RMB million	2013 RMB million
Trade receivables due from joint ventures		
Within three months	**139**	155
4 to 6 months	**3**	60
7 to 9 months	**34**	6
10 to 12 months	**1**	2
More than one year	**48**	10
	225	233
Trade payables due to joint ventures		
Within three months	**157**	68
7 to 9 months	**4**	–
More than one year	**45**	2
	206	70

Owing the strategic relationship with the joint ventures, there is no formal credit policy applied to above balances by the Group and the joint ventures and in the opinion of the Directors, the above balances are not overdue.

The amounts due from/to joint ventures are unsecured, interest-free and repayable on demand except for the as amounts due from/to joint ventures detailed in the following table.

	Maturity date	**Effective interest rate per annum**	**2014 RMB million**	2013 RMB million
Loan receivables from joint ventures				
Secured	26/05/2015-27/07/2017	6.6%-7%	**70**	–
Unsecured	04/01/2015-23/06/2015	6%-6.6%	**212**	–
			282	–
Loan payables to joint ventures				
Unsecured	24/02/2015-14/07/2017	6%-6.15%	**155**	–
Unsecured		0.35%-2.85%	**466**	–
			621	–

The interest-free amounts due from joint ventures that the Group expects to recover after one year from the end of the reporting period are stated at fair value calculated by using an effective interest rate at 6.00% (2013: 6.15%) per annum. For the remaining amounts due from joint ventures, the Directors expect the amounts will be recoverable within one year from the end of the reporting period.

The Directors are of the opinion that the amounts due from joint ventures are not impaired as the counterparties are financially sound.

27. Amounts Due from Related Companies

	2014 RMB million	2013 RMB million
Amounts due from companies controlled by a shareholder and director	**127**	25

The related companies are controlled by Mr. Wang Yusuo ("Mr. Wang") who is a shareholder and director of the Company. The maximum amount outstanding during the year in respect of the amounts due from companies controlled by Mr. Wang is RMB127 million (2013: RMB25 million).

Except for certain amounts due from related companies amounting to RMB28 million (2013: RMB nil) which are unsecured and carry a fixed interest rate of 6.00% per annum, the amounts due from related companies are unsecured, interest-free and repayable on demand. The Group expects the amounts will be recoverable within one year from the end of the reporting period.

Included in the amounts due from related companies are trade receivables amounting to RMB43 million (2013: RMB23 million) and the aged analysis presented based on invoice date, which approximated the respective revenue recognition date, at the end of the reporting period is as follow:

	2014 RMB million	2013 RMB million
Within three months	**34**	4
4 to 6 months	**1**	2
7 to 9 months	**1**	1
10 to 12 months	**2**	4
More than one year	**5**	12
	43	23

Owing the strategic relationship with the related companies, there is no formal credit policy applied to above balances by the Group and in the opinion of the Directors, the above balances are not overdue.

For the amounts due from companies controlled by a shareholder and director of the Company, the counterparties are related companies that are financially sound. Therefore, the Directors are of the opinion that the amounts due from related companies are not impaired.

28. Deferred Taxation

	2014 RMB million	2013 RMB million
Deferred tax assets	**422**	318
Deferred tax liabilities	**(379)**	(399)
	43	(81)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Intangible assets RMB million	Capitalisation of interest in property, plant and equipment RMB million	Undistributed retained profit of PRC entities from 1 January 2008 RMB million (note)	Deferred income RMB million	Unrealised profit RMB million	Others RMB million	Total RMB million
At 1 January 2013	210	87	85	(241)	(21)	4	124
Acquisition of a subsidiary (Note 47)	25	–	–	–	–	–	25
(Credit) charge to profit or loss	(7)	26	28	(86)	(30)	1	(68)
At 31 December 2013	228	113	113	(327)	(51)	5	81
Acquisition of a subsidiary (Note 47)	9	–	–	–	–	–	9
(Credit) charge to profit or loss	(13)	12	(16)	(94)	(24)	2	(133)
At 31 December 2014	224	125	97	(421)	(75)	7	(43)

Note: The amount represents deferred taxation in respect of the temporary differences attributable to the undistributed retained profits earned after 1 January 2008 by the group entities registered in the PRC. The amount has been provided based on the amount of undistributed retained profit of certain PRC entities from 1 January 2008 attributable to non-PRC shareholders at a withholding tax rate of 10% as the Directors consider the amount will be probably reversed in the foreseeable future upon distribution of profit by the respective group entities.

Deferred taxation of approximately RMB757 million (2013: RMB555 million) has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2014, the Group has unused tax losses of approximately RMB1,365 million (2013: RMB1,494 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profit streams. The unrecognised tax losses will be expired in the following year ending 31 December:

	2014 RMB million	2013 RMB million
2014	**–**	206
2015	**262**	278
2016	**319**	327
2017	**483**	501
2018	**141**	182
2019	**160**	–
	1,365	1,494

As at 31 December 2014, the Group has other deductible temporary differences of approximately RMB498 million (2013: RMB516 million), which are mainly arising from impairment of trade and other receivables and unrealised profits within the Group. No deferred tax asset has been recognised in relation to such other deductible temporary differences as it is not probable that taxable profit will be available for offset against which the deductible temporary differences can be utilised.

29. Deposits Paid for Investments

The balance as at 31 December 2014 of RMB18 million (2013: RMB106 million) represented the deposits paid for the investments in various piped gas and clean energy projects in the PRC which have not been completed at the end of the reporting period.

30. Restricted Bank Deposits

	2014 RMB million	2013 RMB million
Current portion	71	260
Non-current portion	43	10
	114	270
Bank deposits secured for:		
Bills facilities	–	167
Rights of operations	23	18
Gas supplies	91	85
	114	270

As at 31 December 2014, the restricted bank deposits carry fixed interest rate range from 0.25% to 5.25% (2013: from 0.35% to 0.53%) per annum. The restricted bank deposits will be released upon the settlement of relevant bill facilities and the expiry of purchase contracts or operation rights.

31. Inventories

	2014 RMB million	2013 RMB million
Construction materials	221	241
Gas appliances	42	52
Natural Gas	239	110
Liquefied petroleum gas ("LPG")	1	5
Spare parts and consumable	7	11
	510	419

The cost of inventories recognised as an expense during the year was approximately RMB18,934 million (2013: RMB14,345 million).

32. Amounts Due from (to) Customers for Contract Work

	2014 RMB million	2013 RMB million
Contract costs incurred plus recognised profits	885	698
Less: Progress billings	(3,046)	(2,538)
	(2,161)	(1,840)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	207	193
Amounts due to customers for contract work	(2,368)	(2,033)
	(2,161)	(1,840)

33. Cash and Cash Equivalents

Cash and cash equivalents include bank balances with original maturities less than three months carrying interest at market rates which range from 0.25% to 4.6% (2013: 0.35% to 2.6%) per annum as at 31 December 2014. The bank balances denominated in RMB are deposited with banks in the PRC.

At the end of the reporting period, the cash and cash equivalents denominated in foreign currencies other than the functional currency of respective group entities is RMB2,342 million (2013: RMB402 million), of which approximately RMB2,318 million (2013: RMB376 million) and approximately RMB24 million (2013: RMB26 million) are denominated in USD and HKD respectively.

34. Trade and Other Payables

	2014 **RMB million**	2013 RMB million
Trade payables	**2,034**	1,973
Advances received from customers	**4,131**	3,337
Accrued charges and other payables	**1,097**	856
	7,262	6,166

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

	2014 **RMB million**	2013 RMB million
Trade payables aged:		
Within three months	**1,723**	1,692
4 to 6 months	**107**	104
7 to 9 months	**35**	38
10 to 12 months	**42**	26
More than one year	**127**	113
	2,034	1,973

The average credit period on purchases of goods is 30 to 90 days.

35. Amounts Due to Related Companies

	2014 **RMB million**	2013 RMB million
Amounts due to companies controlled by a shareholder and director	**239**	18

The related companies are controlled by Mr. Wang who is a shareholder and director of the Company.

The amounts due to related companies of approximately RMB239 million (2013: RMB18 million) are unsecured, interest-free and repayable on demand.

35. Amounts Due to Related Companies *(continued)*

Included in the amounts due to related companies are trade payables amounting to approximately RMB220 million (2013: RMB15 million) and the aged analysis presented based on invoice date at the end of the reporting period is as follows:

	2014 RMB million	2013 RMB million
Within three months	**160**	13
4 to 6 months	**21**	–
7 to 9 months	**11**	–
10 to 12 months	**5**	–
More than one year	**23**	2
	220	15

36. Bank and Other Loans

	2014 RMB million	2013 RMB million
Bank loans		
Secured	**768**	831
Unsecured	**2,133**	1,883
	2,901	2,714
Other loans		
Secured	**9**	13
Unsecured	**96**	96
	105	109
	3,006	2,823
The bank and other loans are repayable:		
Within one year	**1,530**	921
More than one year, but not exceeding two years	**401**	379
More than two years, but not exceeding five years	**967**	1,067
More than five years	**108**	456
	3,006	2,823
Less: Amounts due within one year shown under current liabilities	**(1,530)**	(921)
Amounts due after one year	**1,476**	1,902

All the bank and other loans are denominated in the functional currency of respective group entities except for approximately RMB989 million (2013: RMB902 million) are denominated in USD.

The secured bank and other loans are secured by property, plant and equipment and rights to receive fee income of certain subsidiaries and joint ventures as set out in Note 52 and personal guarantee of Mr. Wang and his spouse as set out in Note 53.

36. Bank and Other Loans *(continued)*

Details of the terms of the Group's borrowings are set out below:

At 31 December 2014

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured RMB bank loan	08/01/2015-27/05/2015	**2.27%-5.60%**	**474**
Unsecured RMB other loans	17/06/2015	**3.38%-5%**	**96**
Total fixed-rate borrowings			**570**
Floating-rate borrowings			
Unsecured RMB bank loan at PBOC base rate	07/02/2015-11/3/2019	**6.35%**	**754**
Secured RMB bank loan at PBOC base rate	20/02/2015-20/12/2020	**6.54%**	**684**
Unsecured USD bank loan at London Inter Bank Offer Rate ("LIBOR") plus 2.75%	15/05/2015-15/05/2020	**3.16%**	**453**
Unsecured USD bank loan at LIBOR plus 2.5%	15/05/2015-15/05/2018	**2.91%**	**452**
Unsecured USD bank loan at LIBOR plus 3.9%	30/06/2016-30/06/2018	**4.23%**	**84**
Secured RMB other loan at PRC government bond rate	15/12/2015-12/06/2017	**3.25%**	**9**
Total floating-rate borrowings			**2,436**
Total borrowings			**3,006**

At 31 December 2013

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured RMB bank loan	07/01/2014-17/06/2014	3.46%-7.54%	586
Unsecured RMB other loans	17/06/2014	3.38%-5%	96
Total fixed-rate borrowings			682
Floating-rate borrowings			
Unsecured RMB bank loan at PBOC base rate	04/01/2014-06/2024	6.11%	395
Secured RMB bank loan at PBOC base rate	11/06/2014-20/12/2020	6.10%	831
Unsecured USD bank loan at London Inter Bank Offer Rate ("LIBOR") plus 2.75%	15/05/2015-15/05/2020	3.06%	452
Unsecured USD bank loan at LIBOR plus 2.5%	15/05/2015-15/05/2018	2.96%	450
Secured RMB other loan at PRC government bond rate	15/12/2014-12/06/2017	3.54%	13
Total floating-rate borrowings			2,141
Total borrowings			2,823

37. Financial Guarantee Liability

As at 31 December 2014, the Group had outstanding guarantees issued to banks to secure loan facilities granted to joint ventures and associates to the extent of approximately RMB466 million (2013: RMB466 million) for loans with maturity from seven to eight years, of which the amounts have been utilised at the end of the reporting period. The carrying amount of financial guarantee contracts as at 31 December 2014 is approximately RMB48 million (2013: RMB59 million).

38. Obligations Under Finance Leases

As at 31 December 2014, the Group leases certain equipments under capital leases. Capital leases have been recorded at the present value of the future minimum lease payments at the inception of the lease and the obligation for such amount has been recorded as a liability. Amortisation of the capitalised assets, which is included with depreciation and amortisation expense, is computed on the straight-line basis over the lease terms and interest expense is accrued on the basis of the outstanding lease obligation. Future minimum payments under capital lease at 31 December 2014 as follows:

	Minimum lease payments RMB million	Present value of minimum lease payments RMB million
Amounts payable under finance leases:		
Within one year	11	10
In more than 1 year and not more than 5 years	35	33
	46	43
Less: future finance charges	(3)	–
Present value of lease obligation	43	43
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(10)
Amounts due for settlement after 12 months		33

The Group's obligations under finance leases are secured by security deposit of RMB27 million under non-current deposit.

The obligations under finance leases are denominated in USD.

39. Deferred Income

	Government grants RMB million	Subsidies received from customers RMB million (note a)	Connection fee received from customers RMB million (note b)	Total RMB million
GROSS				
At 1 January 2013	–	36	1,114	1,150
Additions	–	22	323	345
At 31 December 2013	–	58	1,437	1,495
Additions	78	–	388	466
At 31 December 2014	78	58	1,825	1,961
RECOGNITION				
At 1 January 2013	–	14	109	123
Release to profit or loss	–	4	67	71
At 31 December 2013	–	18	176	194
Release to profit or loss	2	1	87	90
At 31 December 2014	2	19	263	284
CARRYING VALUES				
At 31 December 2014	76	39	1,562	1,677
At 31 December 2013	–	40	1,261	1,301

	2014 RMB million	2013 RMB million
Analysed for reporting purposes as:		
Current liabilities	**105**	78
Non-current liabilities	**1,572**	1,223
	1,677	1,301

Notes:

a. The balance represented the subsidies received from the industrial customers to subsidise the construction cost of the main gas pipelines to the gas provision site and the gas storage. These customers do not restrict the Group to use the assets constructed for the use of other customers but the Group are committed to provide the gas to these customers for a period from 5 to 30 years. Accordingly, the Group has deferred the subsidies received and released to the profit or loss upon the completion of the assets over the shorter of the committed gas provision period and the useful lives of the related assets.

b. Since 2009, the PRC local governments in certain provinces in the PRC has issued relevant notice to the Group's subsidiaries governing the subsidiaries that an amount of the connection fee received by the Group's subsidiaries from its customers are for the construction cost of the Group's main gas pipelines. The Directors consider that the arrangement indicates that the subsidiaries are required to provide the customer with ongoing access to a supply of gas. As the agreement under such arrangement does not specify a period for provision of the ongoing access to a supply of gas, fees received are deferred and release to the profit or loss over the estimated useful lives of the assets constructed.

40. Share Capital

	2014 Number of shares	2013 Number of shares	2014 HKD million	2013 HKD million
Shares of HKD0.10 each				
Authorised:				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**300**	300
Issued and fully paid:				
At beginning of the year	**1,082,859,397**	1,082,859,397	**108**	108
Issue of shares on exercise of share options	**200,000**	–	**–**	–
At end of the year	**1,083,059,397**	1,082,859,397	**108**	108

	2014 RMB million	2013 RMB million
Presented in consolidated financial statements as:		
At beginning of the year	**113**	113
Issue of shares on exercise of share options (note)	**–**	–
At end of the year	**113**	113

Note: During the year ended 31 December 2014, 200,000 shares were issued at exercise price of HK$16.26 per ordinary share in relation to the exercise of outstanding share options. These shares rank pari passu with the then existing shares in all respects.

41. Corporate Bond

On 16 February 2011, pursuant to the approval 2011 No. 29 issued by National Development and Reform Commission ("NDRC"), NDRC approved Xinao (China) Gas Investment Company Limited ("Xinao (China)") to issue a corporate bond of RMB500 million. The amount is unsecured and carries a fixed interest rate of 6.45% per annum and is repayable on 16 February 2018. The interest is payable to the holders of the bond on yearly basis. The net proceeds, after deducting the issuance costs, amounted to RMB496 million.

According to the terms and conditions of the corporate bond, the Group may at its option to increase the coupon rate by 0% to 1% at the end of year five, which is 16 February 2016 by giving a 10-day notice to the bondholder before 16 February 2016. At the same time, the bondholder may at its option require the Company to redeem the bond at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bond will be subject to the increased interest rate until the maturity date. The put option is considered closely related to the host contract and is therefore not separately accounted for. The effective interest rate of the corporate bond is approximately 6.616% per annum after the adjustment for transaction costs.

The corporate bonds recognised in the consolidated statement of financial position were as follows:

	2014 RMB million	2013 RMB million
Principal amount	**500**	500
Issue costs	**(4)**	(4)
	496	496
Effective interest recognised	**2**	1
Carrying amount as at end of the year	**498**	497

42. Senior Notes

On 13 May 2011, the Company issued 6% senior notes with an aggregated nominal value of US$750 million (equivalent to approximately RMB4,863 million) (the "2021 Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to US$735 million (equivalent to RMB4,765 million). The 2021 Senior Notes matures on 13 May 2021. The 2021 Senior Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

According to the terms and conditions of the 2021 Senior Notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price equal to 100% of the principal amount thereof plus applicable premium and accrued and unpaid interest to such redemption date. The applicable premiums is the greater of (1) 1.0% of the principal amount and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount, plus all required remaining scheduled interest payments due on the 2021 Senior Notes through the maturity date (but excluding accrued and unpaid interest to redemption date), computed using a discount rate equal to the United States treasury rate plus 25 basis points, over (B) the principal amount on redemption date.

As the estimated fair value of the early redemption right is insignificant at initial recognition, the embedded derivative is not separately accounted for. The effective interest rate is approximately 6.2756% per annum after the adjustment for transaction costs.

The 2021 Senior Notes recognised in the consolidated statement of financial position are calculated as follows:

	2014 **RMB million**	2013 RMB million
Nominal value of 2021 Senior Notes	**4,863**	4,863
Issue costs	**(98)**	(98)
Fair value at date of issuance	**4,765**	4,765
Effective interest recognised	**1,049**	764
Interest paid/payable	**(1,023)**	(746)
Exchange gain	**(269)**	(285)
Carrying amount at 31 December	**4,522**	4,498
Fair values of the 2021 Senior Notes*	**5,130**	4,932

* The fair values of the 2021 Senior Notes are determined by references to the price quotations published by the SGX-ST on 31 December 2014 and 20 December 2013.

43. Medium-Term Notes

On 15 October 2012, Xinao (China) issued medium-term notes in the aggregate principal amount of RMB700 million which are unsecured. The medium-term notes carry a fixed interest rate of 5.55% per annum and are repayable on 17 October 2017. The interest is payable to the holders of the notes on yearly basis.

44. Convertible Bonds at Fair Value Through Profit and Loss

On 26 February 2013, the Company issued zero coupon United States dollar ("US dollar") denominated convertible bonds with the aggregate principal amount of US$500 million (approximately RMB3,141 million) (the "Bonds"). Each bond will, at the option of the holder, be convertible into fully paid ordinary shares with a par value of HK$0.10 each in the issued and paid up capital of the Company at an initial conversion price of HK$48.62 per share. The conversion price is subject to adjustments in the manner set out in the Bonds agreement. 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. On 26 February 2016 (the "Put Option Date"), the holder of each Bond will have the right, at such holder's option, to require the Company to redeem all or some only of the Bonds of such holder on the Put Option Date at 101.51per cent. of their principal amount.

In accordance with the terms and conditions of the Bonds, the Company: (i) may at any time after 26 February 2016 and prior to the maturity date redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount, provided that (a) the closing price of the shares (translated into US dollar at the prevailing rate defined in the terms and conditions of the Bonds) for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published was at least 130 per cent of the early redemption amount divided by the then prevailing conversion ratio (as defined in the terms and conditions of the Bonds agreement) and (b) the applicable redemption date does not fall within a closed period; or (ii) may at any time prior to the maturity date of the Bonds redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount provided that prior to the date of such notice at least 90 per cent in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Bonds, are traded on SGX-ST, 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. The transaction costs incurred for issue of the Bonds approximately RMB64 million was recognised as part of finance costs the year ended 31 December 2013.

No conversion or redemption of the Bonds has occurred up to 31 December 2014.

45. Unsecured Bonds

On 23 October 2014, the Company issued 3.25% bonds with an aggregate nominal value of US$400 million (equivalent to approximately RMB2,460 million) (the"2019 Unsecured Bonds") at a discount and issuance costs, amounting to US$395 million (equivalent to RMB2,429 million). The 2019 Unsecured Bonds is unsecured and matures on 23 October 2019. The 2019 Unsecured Bonds are listed on the Stock Exchange.

According to the terms and conditions of the 2019 Unsecured Bonds, the Company may at any time and from time to time, on giving not less than 30 nor more than 60 days' notice to the holders of the 2019 Unsecured Bonds, redeem the Bonds, in whole but not in part, at a make whole price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date. The make whole price means, with respect to a bond at the option redemption date, the amount calculated by the quotation agent that is the greater of (1) the present value of the principal amount of the 2019 Unsecured Bonds, assuming a scheduled repayment thereof on the maturity date plus all required remaining scheduled interest repayments due on such bond through the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate equal to the adjusted treasury rate plus 50 basis points, and (2) the principal amount of such bonds.

As the estimated fair value of the early redemption right is insignificant at initial recognition, the embedded derivative is not separately accounted for. The effective interest rate is approximately 3.555% per annum after deducting the adjustment for transaction costs.

45. Unsecured Bonds *(continued)*

The 2019 Unsecured Bonds recognised in the consolidated statement of financial position are calculated as follows:

	2014 RMB million
Nominal value of 2019 Unsecured Bonds	**2,460**
Discount cost	**(12)**
Issue costs	**(19)**
Fair value at date of issuance	**2,429**
Effective interest recognised	**16**
Interest paid/payable	**(15)**
Exchange gain	**(12)**
Carrying amount at 31 December	**2,418**
Fair values of the 2019 Unsecured Bonds*	**2,410**

* The fair values of 2019 Unsecured Bonds are determined by references to the price quotations published by the Stock Exchange on 31 December 2014.

46. Share Options

The Company has adopted a share option scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002.

The purpose of the share option scheme is to provide incentives for participants to perform their best in achieving the goals of the Group and allow them to enjoy the results of the Company attained through their efforts and contribution. Pursuant to the share option scheme, the Directors may, at its absolute discretion, invite any employee or executive director or any member of the Group, or any employee, partner or director of any business consultant, joint venture partner, financial adviser and legal adviser of and to any member of the Group, to take up options at HK$1 on each grant to subscribe for shares at an exercise price equal to at least the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant; (b) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 30% of the issued share capital of the Company from time to time. Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

On 14 June 2010, the Company granted share options to directors and certain employees ("Grantees") to subscribe for a total of 33,490,000 ordinary shares of HK$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 21 May 2002, subject to acceptance by the Grantees.

Among the share options granted above, 14,810,000 share options were granted to the Directors to subscribe for a total of 14,810,000 shares in the Company and 18,680,000 share options were granted to certain employees of the Group to subscribe 18,680,000 shares in the Company.

As at the end of the reporting period, the number of outstanding share options granted to the Directors is 400,000 (2013: 600,000) and no outstanding share options granted to certain employees of the Group. There are no (2013: 180,000) share options lapsed during the year.

46. Share Options *(continued)*

The following tables disclose details of the Company's share options held by the employees (including directors) and movements in such holdings under the share option scheme during the year:

	Date of grant	Vesting period	Exercise period	Exercise price	Number of options ('000) Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Outstanding at 31.12.2014
Tranche 1	14.6.2010	14.6.2010 to 13.12.2010	14.12.2010 to 13.6.2020	HK$16.26	–	–	–	–
Tranche 2	14.6.2010	14.6.2010 to 13.6.2012	14.6.2012 to 13.6.2020	HK$16.26	**600**	–	**(200)**	**400**
					600	–	**(200)**	**400**
Exercisable at the end of the year								**400**
Weighted average exercise price					**HK$16.26**	–	**HK$16.26**	**HK$16.26**

The following tables disclose details of the Company's share options held by the employees (including directors) and movements in such holdings under the share option scheme during the prior year:

	Date of grant	Vesting period	Exercise period	Exercise price	Number of options ('000) Outstanding at 1.1.2013	Granted during the year	lapsed during the year	Outstanding at 31.12.2013
Tranche 1	14.6.2010	14.6.2010 to 13.12.2010	14.12.2010 to 13.6.2020	HK$16.26	–	–	–	–
Tranche 2	14.6.2010	14.6.2010 to 13.6.2012	14.6.2012 to 13.6.2020	HK$16.26	780	–	(180)	600
					780	–	(180)	600
Exercisable at the end of the year								600
Weighted average exercise price					HK$16.26	–	HK$16.26	HK$16.26

The closing price of the Group's shares immediately before 14 June 2010, the date of grant, was HK$16.22 per share.

Exercise price of the share options granted is HK$16.26 per share, which represents the highest of (i) the closing price of HK$16.26 per share as stated in the daily quotations sheet of the Stock Exchange on 14 June 2010, being the date of grant; (ii) the average closing price of HK$15.04 per share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the share.

There are no share-based expenses recognised by the Group and 200,000 share options exercised during the year. In 2013, the Group recognised nil share-based expenses and 180,000 share options lapsed. The total fair value of the options calculated by using the binomial model was HK$193 million.

46. Share Options *(continued)*

The following assumptions were used to calculation the fair value of share options:

Spot price	HK$16.26
Exercise price	HK$16.26
Risk free rate	2.421%
Expected volatility	49.23%
Expected dividend yield	1.37%
Early exercise behaviour	150% of the Exercise Price

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

47. Acquisition of Businesses

a. Acquisition of businesses during the year ended 31 December 2014

Acquisition of domestic businesses

On 25 March 2014, the Group acquired 80% of the registered capital of 瀏陽中油管道燃氣有限公司 ("Liuyang Zhongyou") at a cash consideration of RMB40 million. Liuyang Zhongyou is engaged in sales of piped gas. Liuyang Zhongyou was acquired with the objective of expansion in market coverage of business of the Group.

The fair value of the assets and liabilities acquired at the date of acquisition were as follows:

	RMB million
Non-current assets	
Property, plant and equipment	27
Intangible assets – right of operation	36
Current assets	
Inventories	1
Trade and other receivables	3
Cash and cash equivalents	8
Current liabilities	
Trade and other payables	(16)
Non-current liabilities	
Deferred tax liabilities	(9)
Net assets	50
Less: Non-controlling interests	(10)
Net assets acquired	40

47. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2014 *(continued)*

Acquisition of domestic businesses (continued)

	RMB million
Goodwill arising on acquisition	
Total consideration	40
Less: Fair value of identified net assets acquired	(40)
Goodwill arising on acquisition	–
Total consideration satisfied by:	
Cash	36
Consideration payables (included in other payables)	4
	40
Net cash outflow arising on acquisition:	
Cash consideration paid	(36)
Less: cash and cash equivalents acquired	8
	(28)

Impact of acquisition on the results of the Group

Had the acquisition of Liuyang Zhongyou has been effected on 1 January 2014, the revenue of the Group for the year ended 31 December 2014 would have been approximately RMB29,096 million, and the profit for the current year would have been approximately RMB3,621 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Liuyang Zhongyou been acquired on 1 January 2014, the Directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payment and intangible asset acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

Acquisition of overseas businesses

On 28 October 2014, the Group has signed sales and purchase agreements with ENN Transportation Fuel S.a.r.l., a company controlled by Mr. Wang, to acquire 100% of equity interest in ENN North America Investment Corporation ("ENN US") and ENN Canada Corporation ("ENN Canada") at cash considerations of US$180 million (approximately RMB1,101 million) and US$20 million (approximately RMB122 million), respectively. The acquisitions for ENN US and ENN Canada were completed on 18 December 2014 and 31 December 2014, respectively.

47. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2014 *(continued)*

Acquisition of overseas businesses (continued)

ENN US and ENN Canada are primarily engaged in natural gas refuelling business in the United States and Canada, respectively, which owns local gas refueling stations, supply source and business network in the local market. Through acquisition of ENN US and ENN Canada, the Group can strategically expand its business in the United States and Canada market.

The provisional value of the assets and liabilities acquired at the date of acquisition were as follows:

	ENN US RMB million	**ENN Canada** RMB million
Non-current assets		
Property, plant and equipment	560	68
Interest in a joint venture	–	7
Deposit and prepayment	81	–
Current assets		
Inventories	50	–
Trade and other receivables	69	20
Cash and cash equivalents	22	69
Non-current liabilities		
Obligations under finance leases	(33)	–
Bank borrowings	–	(84)
Current liabilities		
Trade and other payables	(110)	(8)
Obligations under finance leases	(10)	–
Net assets	629	72
Less: Non-controlling interest	(15)	–
Net assets acquired	614	72

In accordance with the best estimation at acquisition date, the fair values of the receivables acquired in these transactions are the same as the gross contractual amounts.

Goodwill arising on acquisition (determined on a provisional basis)

	ENN US RMB million	**ENN Canada** RMB million
Consideration	1,101	122
Less: Fair value of identified net assets acquired	(614)	(72)
Goodwill arising on acquisition	487	50

Goodwill arose on the acquisition of ENN US and ENN Canada are attributable to its anticipated profitability in potential markets expansion and the anticipated future operating synergies from the combination.

None of goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in consolidated statement of profit or loss and other comprehensive income in the year ended 31 December 2014.

47. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2014 *(continued)*

Acquisition of overseas businesses (continued)

Net cash outflow arising on acquisition

	ENN US RMB million	**ENN Canada** RMB million
Consideration paid in cash	(1,101)	(122)
Less: Cash and cash equivalents acquired	22	69
	(1,079)	(53)

Impact of acquisition on the results of the Group

Had the acquisitions of ENN US and ENN Canada been effected on 1 January 2014, the revenue of the Group for the year ended 31 December 2014 would have been approximately RMB29,190 million, and the profit for the current year would have been approximately RMB3,331 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had ENN US and ENN Canada been acquired on 1 January 2014, the Directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payment and intangible asset acquired on the basis of the provisional fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

b. Acquisition of businesses during the year ended 31 December 2013

On 23 May 2013, the Group acquired 100% of the registered capital of LNG Europe B.V. ("LNG Europe") at a cash consideration of EUR1.2 million (approximately RMB10 million). LNG Europe is engaged in wholesales of liquid and gaseous fuels and liquefied natural gas in Netherlands.

On 27 June 2013, the Group acquired further 51.13% of the registered capital of Heyuan Piped Gas at a cash consideration of RMB84 million which became a wholly owned subsidiary of the Group. Heyuan Piped Gas is the holding company of a group of companies engaging in the sales of piped gas in Guangdong province, the PRC.

Heyuan Piped Gas and LNG Europe were acquired with the objective of significantly improving market coverage in Guangdong province, the PRC and as a touchstone to expand business to European Zone.

Consideration

	Heyuan Piped Gas RMB million	**LNG Europe** RMB million
Cash	84	5
Fair value of adjusted purchase price	–	5
	84	10

Acquisition-related costs have been excluded from the cost of acquisition and have been recognised as administrative expenses in consolidated statement of profit or loss and other comprehensive income in the year ended 31 December 2013.

47. Acquisition of Businesses *(continued)*

b. Acquisition of businesses during the year ended 31 December 2013 *(continued)*

Consideration (continued)

The fair value of assets and liabilities of Heyuan Piped Gas and LNG Europe at the date of acquisition are as follows:

	Heyuan Piped Gas RMB million	**LNG Europe** RMB million
Non-current assets		
Property, plant and equipment	112	3
Intangible assets – rights of operation	100	–
Prepaid lease payments	11	–
Current assets		
Inventories	3	–
Trade and other receivables	15	1
Cash and cash equivalents	21	1
Current liabilities		
Trade and other payables	(73)	(5)
Non-current liabilities		
Deferred tax liabilities	(25)	–
Net assets acquired	164	–

In accordance with the best estimation at acquisition date, the fair values of the receivables acquired in these transactions are the same as the gross contractual amounts.

Goodwill arising on acquisition

	Heyuan Piped Gas RMB million	**LNG Europe** RMB million
Consideration	84	10
Plus: Fair value of previously held interest	80	–
Less: Fair value of identified net assets acquired	(164)	–
Goodwill arising on acquisition	–	10

Goodwill arose on the acquisition of LNG Europe is attributable to its anticipated profitability and the anticipated future operating synergies from the combination.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	Heyuan Piped Gas RMB million	**LNG Europe** RMB million
Consideration paid in cash	(34)	(5)
Less: Cash and cash equivalents acquired	21	1
	(13)	(4)

47. Acquisition of Businesses *(continued)*

b. Acquisition of businesses during the year ended 31 December 2013 *(continued)*

Impact of acquisition on the results of the Group

Had the acquisition of LNG Europe and Heyuan Piped Gas been effected at 1 January 2013, the revenue of the Group for the year ended 31 December 2013 would have been approximately RMB23,000 million, and the profit for the year ended 31 December 2013 would have been approximately RMB1,804 million. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2013, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had LNG Europe and Heyuan Piped Gas been acquired on 1 January 2013, the Directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payment and intangible asset acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

48. Acquisition of Assets Through Acquisitions of Subsidiaries

a. Acquisition of assets through acquisitions of subsidiaries during the year ended 31 December 2014

On 25 September 2014, the Group acquired 100% of the registered capital of 連雲港雙閣管道燃氣有限公司 ("Lianyungang") at a consideration of RMB12 million. Lianyungang is a company engaging on the sales of piped gas in part of the Jiangsu province, the PRC. The transaction was accounted for acquisition of assets through acquisition of a subsidiary and the fair value of the assets and liabilities acquired are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	3
Intangible assets – right of operation	3
Current assets	
Trade and other receivables	6
Net assets acquired	12
Total consideration	12
Satisfied by:	
Cash	12
Net cash outflow arising on acquisition:	
Cash consideration paid	4
Less: cash and cash equivalents acquired	–
	4

48. Acquisition of Assets Through Acquisitions of Subsidiaries *(continued)*

b. Acquisition of assets through acquisitions of subsidiaries during the year ended 31 December 2013

On 6 May 2013, the Group acquired 70% of the registered capital of 睢寧萬豐天然氣有限公司 ("Suining Piped Gas") at a cash consideration of RMB19 million. Suining Piped Gas is engaged in sales of piped gas. Suining Piped Gas has not yet commenced operation as at the date of acquisition.

On 18 November 2013, the Group acquired 100% of the registered capital of 聊城眾和能源開發有限公司 ("Liaocheng") at a consideration of RMB25 million. Liaocheng is the investment holding company of a joint venture entity engaging on the sales of piped gas in Shandong province, the PRC. The transaction was accounted for acquisition of assets through acquisition of a subsidiary and the fair value of the assets and liabilities acquired are as follows:

	Suining Piped Gas RMB million	**Liaocheng** RMB million
Non-current assets		
Interest in a joint venture	–	25
Property, plant and equipment	3	–
Intangible assets – right of operation	9	–
Current assets		
Cash and cash equivalent	15	–
Trade and other receivables	–	1
Current liabilities		
Trade and other payables	–	(1)
Net assets	27	25
Less: Non-controlling interests	(8)	–
Net assets acquired	19	25
Total consideration	19	25
Satisfied by:		
Cash	19	25
Net cash outflow arising on acquisition:		
Cash consideration paid	(19)	(25)
Less: cash and cash equivalents acquired	15	–
	(4)	(25)

49. Disposal of Subsidiaries

a. Disposal of subsidiaries during the year ended 31 December 2014

On 8 May 2014, the Group disposed of 55% equity interest in中海油新奥（北海）燃氣有限公司 ("Xinao Beihai") at cash consideration of RMB82 million to an independent third party (the "Buyer"). Pursuant to the revised articles of association of Xinao Beihai, the resolution for the financial and operation activities of Xinao Beihai can only be passed with a two-third majority. As a result, both the Group and the Buyer were unable to execute full control on Xinao Beihai and the remaining 45% controlling interest of Xinao Beihai was recognised as interest in joint ventures. On 15 August 2015, the Group has entered into sales and purchase agreement with 新能礦業有限公司("Xinneng"), a related company controlled by Mr. Wang, to transfer the remaining 45% controlling interest of Xinao Beihai at a cash consideration of RMB69 million. Since the transaction has not been completed on 31 December 2014, the remaining interest held by the Group was recognised as assets classified as held for sale.

On 21 October 2014, the Group disposed of 100% equity in 山西沁水新奧燃氣有限公司 ("Xinao Qinshui") at cash consideration of RMB165 million to Xinneng.

49. Disposal of Subsidiaries *(continued)*

a. Disposal of subsidiaries during the year ended 31 December 2014 *(continued)*

The net consideration received from the transaction is summerised as follow:

Consideration:

	Xinao Beihai RMB million	**Xinao Qinshui** RMB million
Consideration received	82	165

The net assets of Xinao Beihai and Xinao Qinshui at the date of disposal were as follow:

	Xinao Beihai RMB million	**Xinao Qinshui** RMB million
Non-current asset		
Property, plant and equipment	147	184
Prepaid lease payment	6	9
Current assets		
Inventories	8	4
Trade and other receivables	22	17
Cash and cash equivalents	1	5
Current liabilities		
Trade and other payables	(18)	(65)
Short term loan	(46)	–
Non-current liabilities		
Long term loan	–	(28)
Net assets	120	126

The gain recognised in profit or loss on loss of control of Xinao Beihai and disposal of Xinao Qinshui were calculated as below:

	Xinao Beihai RMB million	**Xinao Qinshui** RMB million
Fair value of the residual interest	67	–
Consideration received	82	165
Less: Net assets derecognised	(120)	(126)
	29	39
Less: Goodwill recognised previously	(15)	–
Gain on derecognition of subsidiaries	14	39

Net cash inflow arising on disposal:

	Xinao Beihai RMB million	**Xinao Qinshui** RMB million
Cash consideration received	82	165
Cash and cash equivalents disposed	(1)	(5)
	81	160

49. Disposal of Subsidiaries *(continued)*

b. Disposal of a subsidiary during the year ended 31 December 2013

On 29 August 2013, the Group disposed 24% equity interest in 湖南三湘新奥清洁能源有限公司("Hunan Sanxiang") at a cash consideration of RMB7 million. Upon completion of the disposal of the equity interest, the Group's equity interest in Hunan Sanxiang diluted to 51%. Pursuant to the revised articles of association of Hunan Sanxiang, the Group is unable to control Hunan Sanxiang because a resolution for the financial and operating activities of Hunan Sanxiang can only be passed with a two-third majority.

The net assets of Hunan Sanxiang derecognised at the date of disposal were as follows:

	RMB million
Non-current assets	
Fixed assets	9
Interest in a joint venture	3
Current assets	
Trade and other receivables	3
Cash and cash equivalents	19
Current liabilities	
Trade and other payables	(6)
Total net assets	28
Less: Non-controlling interests	(7)
Net amount derecognised attributable to the equity owners of the Group	21

The gain recognised in profit or loss on loss of control of Hunan Sanxiang was calculated as follows:

	RMB million
Fair value of the residual interests in Hunan Sanxiang recognised	15
Consideration receivable	7
Less: Net assets derecognised attributable to the equity owners of the Group	(21)
Gain on derecognition of a subsidiary on loss of control to joint venture	1

Net cash outflow arising from disposal of subsidiary

	RMB million
Consideration receivable	7
Cash and cash equivalents disposal of	(19)
	(12)

50. Commitments

a. Capital commitments

	2014 RMB million	2013 RMB million
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 investment in:		
– joint ventures	**69**	118
– associates	**17**	–
– share acquisition (note)	**4,160**	–

Note: Pursuant to the Capital Injection Agreement (the "Capital Injection Agreement") concerning Sinopec Marketing Co., Ltd ("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 RMB4,000 million included in above.

b. Other commitments

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

51. Lease Commitments

The Group as lessee

	2014 RMB million	2013 RMB million
Minimum lease payments paid under operating leases during the year:		
Premises	71	60
Other assets	8	4
	79	64

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014 RMB million	2013 RMB million
Within one year	42	32
In the second to fifth year inclusive	93	72
Over five years	146	109
	281	213

Leases are negotiated for an average term of five years and rentals are fixed for an average of one year.

The Group as lessor

The Group's investment properties are held for rental purposes. The properties are expected to generate rental yields of 3.53% (2013: 4.02%) on an ongoing basis. All of the properties held have committed tenants for terms ranging from one to twenty two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 RMB million	2013 RMB million
Within one year	9	6
In the second to fifth year inclusive	7	7
Over five years	1	4
	17	17

52. Pledge Of Assets

At the end of the reporting period, the Group pledged certain assets as securities for bank and other loans, bill facilities and contracts granted to the Group, associates and joint ventures as follows:

	2014 RMB million	2013 RMB million
Carrying amount of:		
Property, plant and equipment	12	40
Restricted bank deposits	114	270

In addition to the above, the Group has also pledged its rights to receive gas connection and gas supply fee income of certain subsidiaries and joint ventures in favour of banks to secure banking facilities amounting to RMB1,290 million (2013: RMB1,290 million) granted to the Group and RMB684 million (2013: RMB820 million) of which is utilised up to 31 December 2014.

53. Related Party Transactions

Apart from the related party balances as stated in Notes 25, 26, 27 and 35 and the equity transactions as stated in Notes 47 and 49, the Group had the following transactions with certain related parties:

	2014 RMB million	2013 RMB million
Nature of transaction		
Associates:		
– Sales of gas to	**225**	70
– Sales of materials to	**39**	31
– Purchase of gas from	**192**	192
– Loan interest received from	**2**	3
– Provision of gas transportation services to	**4**	10
– Provision of gas transportation services from	**5**	–

	2014 RMB million	2013 RMB million
Nature of transaction		
Joint ventures:		
– Sales of gas to	**716**	408
– Sales of materials to	**87**	67
– Sales of equipment to	**206**	–
– Purchase of gas from	**1,571**	1,235
– Provision of gas transportation services to	**201**	329
– Loan interest received from	**16**	12
– Loan interest paid to	**9**	6
– Provision of gas connection services to	**45**	36
– Provision of supporting services to	**27**	24
– Purchase of equipment from	**6**	–
– Lease of equipment from	**–**	1
– Lease of land and property from	**1**	1
– Disposal of controlling interest in associates	**–**	42
Companies controlled by Mr. Wang:		
– Provision of gas supporting services by	**72**	25
– Sales of gas to	**9**	7
– Purchase of equipment from	**3**	–
– Sales of materials to	**9**	–
– Provision of gas connection service to	**3**	4
– Provision of construction service by	**391**	10
– Provision of property management services by	**15**	12
– Provision of property management services to	**1**	–
– Lease of premises to	**1**	1
– Lease of premises from	**3**	3
– Provision of supporting services by	**59**	39
– Provision of maritime transportation services by	**5**	11
– Provision of electronic business services by	**2**	3
– Provision of service card technology services by	**3**	9
– Purchase of LNG from	**111**	–
– Purchase of land from	**–**	30

In 2014, Mr. Wang and Ms. Zhao Baoju, spouse of Mr. Wang have provided personal guarantees to the extent of RMB415 million (2013: nil).

Compensation of key management personnel

The remuneration of the Directors who are also the members of key management personnel during the year was disclosed in Note 11.

54. 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 segment under HKFRS 8 are gas connection, sales of piped gas, vehicle 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 described in Note 3.

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 segment which are also the operating segments for the periods under review:

2014

	Gas connection RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Sales of other energy RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation 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

2013

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

54. Segment Information *(continued)*

An analysis of the Group's total assets and liabilities by segment is as follows:

2014

	Gas connection RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Sales of other energy RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation RMB million
Assets:								
Segment assets	3,078	15,365	3,193	666	302	287	75	22,966
Interests in associates								882
Interests in joint ventures								3,436
Unallocated corporate assets								15,751
Consolidated total assets								43,035
Liabilities:								
Segment liabilities	6,908	3,201	577	332	9	92	185	11,304
Bank and other loans								3,006
Corporate bond								498
Senior notes								4,522
Medium-term notes								700
Convertible bonds at fair value through profit and loss								3,356
Unsecured bonds								2,418
Unallocated corporate liabilities								2,690
Consolidated total liabilities								28,494

2013

	Gas connection RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Sales of other energy RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation RMB million
Assets:								
Segment assets	3,319	14,161	1,218	391	579	189	112	19,969
Interests in associates								804
Interests in joint ventures								2,998
Unallocated corporate assets								12,134
Consolidated total assets								35,905
Liabilities:								
Segment liabilities	5,996	2,693	281	73	56	95	150	9,344
Bank and other loans								2,823
Corporate bond								497
Senior notes								4,498
Medium-term notes								700
Convertible bonds at fair value through profit and loss								3,925
Unallocated corporate liabilities								2,226
Consolidated total liabilities								24,013

54. Segment Information *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets, mainly include unallocated property, plant and equipment, intangible assets, goodwill, prepaid lease payments, investment properties, interests in associates, interests in joint ventures, deferred tax assets, other receivable and deposit, amounts due from associates, joint ventures and related companies, available-for-sale financial assets, restricted bank deposits and cash and cash equivalents. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, mainly include other payable, amounts due to associates, joint ventures and related companies, taxation payable, bank and other loans, short-term debentures, corporate bond, senior notes, medium-term notes, convertible bonds at fair value through profit and loss, unsecured bonds, financial guarantee liability and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segments assets.

For the purposes of presenting segment revenue, results, assets and liabilities, the Group allocates certain property, plant and equipment and prepaid lease payments to certain segments without allocating the related depreciation and release of prepaid lease payments to those segments.

Other segment information

	Gas connection RMB million	Sales of piped gas RMB million	Vehicle gas refuelling stations RMB million	Wholesale of gas RMB million	Sales of other energy RMB million	Sales of gas appliances RMB million	Sales of material RMB million	Consolidation RMB million
Amounts included in the measure of segment profit or loss or segment assets:								
2014								
Additions to non-current assets (note b)	**477**	**1,566**	**1,597**	**46**	**116**	**8**	**2**	**3,812**
Depreciation and amortisation	**137**	**424**	**65**	**2**	**23**	**2**	**–**	**653**
2013								
Additions to non-current assets (note b)	658	1,921	277	59	42	–	–	2,957
Depreciation and amortisation	131	363	45	4	31	2	–	576

	Additions to non-current assets (note b)		Depreciation and amortisation	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Segment total	**3,812**	2,957	**653**	576
Adjustments (note a)	**259**	368	**164**	132
Total	**4,071**	3,325	**817**	708

Notes:

a. Adjustments represent amounts incurred for corporate headquarters and are not allocated to operating segments.

b. Non-current assets include property, plant and equipment, prepaid lease payments, goodwill and intangible assets.

The Group's operations are located in the PRC and over 95% of the Group's non-current assets excluding financial instruments and deferred tax assets are located in the PRC. The Group's revenue from external customers are generated from the PRC.

There is no single customer contribute more than 10% of the total revenue of the Group.

55. Retirement Benefits Scheme

	2014 RMB million	2013 RMB million
Retirement benefit contribution made during the year	**134**	129

According to the relevant laws and regulations in the PRC, the PRC subsidiaries of the Group are required to contribute a certain percentage of the payroll of their employees to the retirement benefits scheme to fund the retirement benefits of their employees. A subsidiary of the Group is required to join a Mandatory Provident Fund Scheme for all its employees in Hong Kong. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the respective schemes.

56. Statement of Financial Position of the Company

	2014 RMB million	2013 RMB million
Non-current Assets		
Investment in subsidiaries	**3,835**	2,901
Investment in an associate	**44**	44
Amounts due from a subsidiary	**4,673**	1,734
	8,552	4,679
Current Assets		
Amounts due from subsidiaries	**1,897**	5,471
Cash and cash equivalents	**2,943**	69
	4,840	5,540
Current Liabilities		
Other payables and accrued expenses	**60**	40
Amounts due to subsidiaries	**921**	224
	981	264
Net Current Assets	**3,859**	5,276
Total Assets less Current Liabilities	**12,411**	9,955
Capital and Reserves		
Share capital	**113**	113
Reserves	**1,097**	517
Total Equity	**1,210**	630
Non-current Liabilities		
Bank loans – due after one year	**905**	902
Unsecured bonds	**2,418**	–
Senior notes	**4,522**	4,498
Convertible bonds at fair value through profit and loss	**3,356**	3,925
	11,201	9,325
Total Equity and Non-current Liabilities	**12,411**	9,955

56. Statement of Financial Position of the Company *(continued)*

The statement of changes in equity as follow:

	Share capital RMB million	Share premium RMB million	Share option reserve RMB million	Retained earnings/ Accumulated losses RMB million	Total RMB million
Balance at 1 January 2013	113	1,541	3	(999)	658
Profit and total comprehensive income for the year	–	–	–	334	334
Lapse of share options (Note 46)	–	–	(1)	1	–
Dividend appropriation	–	(362)	–	–	(362)
Balance at 31 December 2013	**113**	**1,179**	**2**	**(664)**	**630**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**991**	**991**
Exercise of share options during the year (Note 46)	**–**	**4**	**(1)**	**–**	**3**
Dividend appropriation	**–**	**(414)**	**–**	**–**	**(414)**
Balance at 31 December 2014	**113**	**769**	**1**	**327**	**1,210**

57. Particular of Principal Subsidiaries

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by Company 2014	2013	Principal activities
ENN Gas Investment Group Limited ("ENN Gas")	British Virgin Island	US$1,000	**100.00%**	100.00%	Investment holding
北京新奧華鼎貿易有限公司 Beijing Xinao Huading Trading Company Limited#	PRC	US$23,800,000	**100.00%**	100.00%	Retail of gas pipelines, related materials and equipment
北京新奧京谷燃氣有限公司 Beijing Xinao Jinggu Gas Company Limited*	PRC	RMB9,900,000	**90.00%**	90.00%	Sales of piped gas
長沙新奧燃氣有限公司 Changsha Xinao Gas Company Limited* ("Changsha Xinao")	PRC	RMB120,000,000	**55.00%**	55.00%	Investment in gas pipeline infrastructure and sales of piped gas
常州新奧燃氣發展有限公司 Changzhou Xinao Gas Development Company Limited* ("Changzhou Developement")	PRC	US$600,000	**60.00%**	60.00%	Sales of piped gas
常州新奧燃氣工程有限公司 Changzhou Xinao Gas Engineering Company Limited*	PRC	US$5,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure
滁州新奧燃氣有限公司 Chuzhou Xinao Gas Company Limited*	PRC	US$7,100,000	**90.00%**	90.00%	Sales of piped gas

57. Particular of Principal Subsidiaries *(continued)*

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by Company		Principal activities
			2014	2013	
淮安新奧燃氣發展有限公司 Huaian Xinao Gas Development Company Limited#	PRC	RMB7,000,000	**100.00%**	100.00%	Sales of piped gas and gas appliances
泉州市燃氣有限公司 Quanzhou City Gas Company Limited ("Quanzhou City Gas")	PRC	RMB450,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
晉江新奧燃氣有限公司 Jinjiang Xinao Gas Company Limited	PRC	RMB60,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
洛陽新奧華油燃氣有限公司 Luoyang Xinao Huayou Gas Company Limited* ("Luoyang Xinao")	PRC	RMB160,000,000	**70.00%**	70.00%	Sales of natural gas, LPG and coal gas
青島新奧燃氣有限公司 Qingdao Xinao Gas Company Limited*	PRC	RMB50,000,000	**90.00%**	90.00%	Sales of piped gas
青島新奧膠城燃氣有限公司 Qingdao Xinao Jiaocheng Gas Company Limited*	PRC	US$5,000,000	**90.00%**	90.00%	Sales of piped gas
青島新奧新城燃氣有限公司 Qingdao Xinao Xincheng Gas Company Limited*	PRC	US$1,610,000	**90.00%**	90.00%	Sales of piped gas
石家莊新奧燃氣有限公司 Shijiazhuang Xinao Gas Company Limited* ("Shijiazhuang Xinao")	PRC	RMB300,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
新奧能源物流有限公司 Xinao Energy Logistics Company Limited#	PRC	US$12,400,000	**100.00%**	100.00%	Transportation of oil products and gas
新奧能源貿易有限公司 Xinao Energy Sales Company Limited#	PRC	US$28,200,000	**100.00%**	100.00%	Wholesale and retail of LNG and CNG, piped gas facilities, gas equipment, appliances and others
新奧財务有限責任公司 Xinao Finance Company Limited	PRC	RMB1,000,000,000	**89.50%**	89.50%	Provision of financial services
新奧燃氣發展有限公司 Xinao Gas Development Company Limited#	PRC	US$6,000,000	**100.00%**	100.00%	Sourcing of compressed pipeline gas and investment in gas pipeline infrastructure and sales of piped gas

57. Particular of Principal Subsidiaries *(continued)*

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by Company 2014	2013	Principal activities
新奧燃氣工程有限公司 Xinao Gas Engineering Company Limited#	PRC	US$7,000,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure
新奧（中國）燃氣投資有限公司 Xinao (China)#	PRC	US$231,778,124	**100.00%**	100.00%	Investment holding
湘潭新奧燃氣發展有限公司 Xiangtan Xinao Gas Development Company Limited*	PRC	RMB30,000,000	**85.00%**	85.00%	Sales of piped gas and gas appliances
湛江新奧燃氣有限公司 Zhanjiang Xinao Gas Company Limited*	PRC	RMB85,000,000	**90.00%**	90.00%	Investment in gas pipeline infrastructure and sales of piped gas

All of the above subsidiaries, except for ENN Gas and Xinao (China), are indirectly held by the Company.

All of the above subsidiaries operate principally in their respective place of incorporation/establishment, except for ENN Gas, whose place of operation is the PRC. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities as at 31 December 2014 or at any time during the year except for Xinao (China) which has issued the following debt securities in which the Group has no interest.

	2014 RMB million	2013 RMB million
Corporate bond	**498**	497
Medium-term notes	**700**	700
	1,198	1,197

* Sino-foreign equity joint venture

\# Wholly foreign owned enterprise

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Incorporation/ establishment/ registration and operation	Proportion ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014 %	2013 %	**2014 RMB million**	2013 RMB million	**2014 RMB million**	2013 RMB million
Quanzhou City Gas	PRC	**40**	40	**97**	70	**214**	226
Changsha Xinao	PRC	**45**	45	**33**	72	**227**	252
Changzhou Developement	PRC	**40**	40	**80**	27	**82**	28
Shijiazhuang Xinao	PRC	**40**	40	**78**	45	**184**	153
Luoyang Xinao	PRC	**30**	30	**63**	41	**216**	167

57. Particular of Principal Subsidiaries *(continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Quanzhou City Gas	2014 RMB million	2013 RMB million
Non-current assets	919	839
Current assets	341	573
Current liabilities	707	848
Non-current liabilities	18	–
Revenue	3,998	2,976
Profit and other comprehensive income for the year	242	175
Dividends paid to non-controlling interests	108	68
Net cash inflow from operating activities	384	295
Net cash outflow from investing activities	(103)	(3)
Net cash outflow from financing activities	(283)	(306)
Net cash outflow	(2)	(14)

Changsha Xinao	2014 RMB million	2013 RMB million
Non-current assets	1,961	1,810
Current assets	132	116
Current liabilities	1,111	890
Non-current liabilities	478	476
Revenue	478	532
Profit and other comprehensive income for the year	74	160
Dividends paid to non-controlling interests	90	87
Net cash inflow from operating activities	158	244
Net cash outflow from investing activities	(37)	(213)
Net cash outflow from financing activities	(98)	(84)
Net cash inflow (outflow)	23	(53)

57. Particular of Principal Subsidiaries *(continued)*

Changzhou Development	2014 RMB million	2013 RMB million
Non-current assets	**73**	70
Current assets	**383**	179
Current liabilities	**246**	172
Non-current liabilities	**6**	6
Revenue	**1,151**	763
Profit and other comprehensive income for the year	**201**	68
Dividends paid to non-controlling interests	**27**	23
Net cash inflow from operating activities	**9**	72
Net cash outflow from investing activities	**(5)**	(24)
Net cash outflow from financing activities	**(18)**	(9)
Net cash (outflow) inflow	**(14)**	39

Shijiazhuang Xinao	2014 RMB million	2013 RMB million
Non-current assets	**1,017**	938
Current assets	**735**	656
Current liabilities	**1,293**	1,212
Revenue	**1,304**	1,069
Profit and other comprehensive income for the year	**194**	112
Dividends paid to non-controlling interests	**47**	101
Net cash inflow from operating activities	**165**	358
Net cash outflow from investing activities	**(119)**	(103)
Net cash outflow from financing activities	**(122)**	(285)
Net cash outflow	**(76)**	(30)

Luoyang Xinao	2014 RMB million	2013 RMB million
Non-current assets	**1,145**	1,059
Current assets	**466**	458
Current liabilities	**876**	959
Non-current liabilities	**15**	–
Revenue	**1,513**	1,057
Profit and other comprehensive income for the year	**209**	136
Dividends paid to non-controlling interests	**14**	12
Net cash inflow from operating activities	**97**	313
Net cash outflow from investing activities	**(108)**	(190)
Net cash outflow from financing activities	**(29)**	(124)
Net cash outflow	**(40)**	(1)

58. Event After Balance Sheet Date

The Company received a formal notice from Sinopec Marketing on 2 February 2015 confirming that the Capital Injection conditions precedent have been fulfilled. The Company paid US$654 million (equivalent to RMB4,000 million) on 12 February 2015.

Typeset & Print: iOne Financial Press Limited
Design & Concept: Phoenix Communications Limited

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This annual report is printed on recyclable paper