ENN 新奥

ENN Energy Holdings Limited

(Stock code: 2688)

DOUBLING OUR GROWTH DRIVERS

ANNUAL REPORT 2015

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 a reputable integrated energy supplier, creating values to our customers and maximising returns to our shareholders.

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Wang Zizheng
Jin Yongsheng
Lim Haw Kuang

Independent Non-executive Directors

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

Company Secretary

Wong Chui Lai *CPA*

Authorised Representatives

Wang Dongzhi
Yu Jianchao

Members of the Audit Committee

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

Members of the Remuneration Committee

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

Members of the Nomination Committee

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

Registered Office

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

Principal Place of Business in Hong Kong

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Hong Kong

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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
Shops 1712–1716, 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
No. 88 Queensway
Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

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

EXPAND CITYGAS OPERATING REGIONS

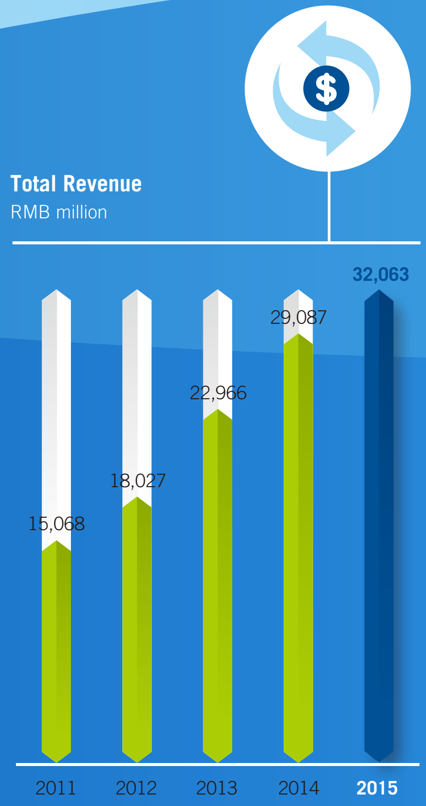
PROMOTE GAS USAGE AS TRANSPORTATION FUEL

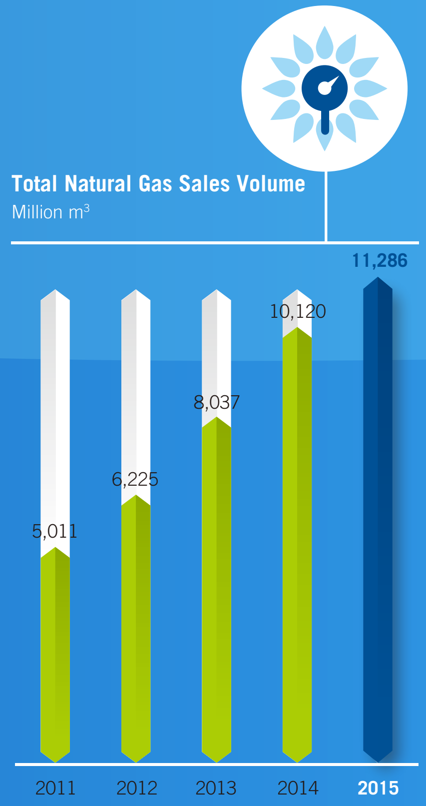
WELL-DEFINED BUSINESS STRATEGIES

CHAIRMAN'S STATEMENT

The Group will seize every opportunity, leverage on its strengths to adapt to any market changes and meet customers' needs.

WANG Yusuo
Chairman





Results of the Year

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

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

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

Natural Gas Pricing Reform

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

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

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

Share Option Incentive Scheme

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

Stable and Sound Financial Position

The Group's annual capital expenditure amounted to RMB2,847 million, which mainly included the construction costs of pipelines network and infrastructure of the existing city-gas projects, the construction costs of refuelling stations and the acquisition of new projects. In October 2015, in response to the depreciation of RMB, the Group bought back a principal amount of US$335 million of the US$400 million 3.25% bonds due in 2019 and a principal amount of US$35 million of the US$750 million 6% bonds due in 2021, refinanced by the issuance of RMB2.5 billion 3.68% bonds with a maturity of not more than 5 years (with an option for the issuer to raise the coupon rate and for the investors to put at the end of the third year). As of 31 December 2015, the Group's total borrowings amounted to RMB15,680 million, and the bank balances and cash (for the purpose of computing net gearing ratio) amounted to RMB7,355 million. The Group's net gearing ratio, i.e. ratio of net debt to total equity (including non-controlling interests), was 51.7%. The Group had sufficient sources of funds and available bank credit to meet its future capital expenditure and working capital requirements. The Group continued to maintain a sound financial position during the year. In particular, the credit rating agency Moody's has upgraded the Group's outlook from "stable" to "positive" and maintained a Baa3 investment-grade rating. Meanwhile, Standard & Poor's and Fitch both maintained their BBB investment-grade ratings and "stable" outlook respectively.

International Awards

In 2015, recognised by the market of its stable business growth and enhanced management capability, the Group received the following honours:

➢ "Best CFO" Sell Side Rank No. 2 and Buy Side Rank No. 3, Power Sector in Institutional Investor's 2015 All-Asia Executive Team;

➢ "Best CFO", "Best Investor Relations Company" and "Best Investor Relations Professional" at the 5th Asian Excellence Awards by Corporate Governance Asia;

➢ "Best Investor Relations in Greater China 2015" by IR Magazine;

➢ Ranked 147 among the 13th Platts Top 250 Global Energy Company Rankings;

➢ "2014-2015 Mainland Enterprise Listed in HK Ranking – Best Company in Clean and Renewable Energy Industry" by Yazhou Zhoukan;

➢ "Silver, Annual Reports: Electric & Gas Services" at the 29th International ARC Awards for Annual Reports; and

➢ "Silver, Vision Awards Annual Report: Energy" at the 2015 LACP Awards.

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

Outlook

Looking ahead, China will continue its reform in 2016. As a result of government measures in terms of reducing overcapacity and supply side reform, the macro-economy is expected to experience a slow recovery. 2016 marks the beginning of the 13th Five-Year Plan, the Chinese government will pay more attention to the balance between the environment, social and economic development. It will push forward the implementation of environmental protection policies and promote the integrated application of natural gas and other clean energy sources. In the long term, the natural gas market will continue to grow soundly. The Group will continue developing more residential users and exploring the potential of C/I customers fully in order to strengthen its city-gas business. It will optimise its network planning and adopt an innovative developing model to expand its transportation fuel business. Taking advantage of low oil price, the Group secured long-term LNG contracts. It will continue to expand energy trading business leveraging the SHPGX platform, promote distributed energy business and quickly tap into electricity sales business taking chances of the power industry reform. The Group believes that through business innovation and enhancement of operational capabilities, it will become a reputable integrated energy supplier, continue to increase its corporate value and create higher returns for its shareholders.

Acknowledgement

The Group's persistent rapid growth hinges on 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

22 March 2016

10 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 (under construction)
- Xinjiang-Guangdong-Zhejiang Coal to Gas Pipeline (under construction)
- Gas Project Managed by ENN
- LNG Import Terminal

Anhui (14 projects)	
Bengbu	1,002,000
Bozhou	235,000
Chaohu	398,000
Chuzhou	872,000
Dingyuan County	11,000
Fengyang	111,000
Guzhen	93,000
Jieshou Industrial Zone	–
Laian	101,000
Luan	426,000
Quanjiao	115,000
Suchu Modern Industry Park	–
Suzhou Economic Development Zone	130,000
Yingshang Industrial Park	–

Beijing Municipality (1 project)	
Pinggu	120,000

Fujian (12 projects)	
Anxi	122,000
Dehua	104,500
Huian	147,500
Jinjiang	650,000
Longyan Development Zone	185,000
Nanan	390,000
Ningde	1,060,000
Ningde Xiapu Yacheng Dongyang Industrial Park	–
Quangang	320,000
Quanzhou	1,350,000
Shishi	105,000
Yongchun	161,000

Guangdong (22 projects)	
Dongguan	7,420,000
Dongguan Dongkeng Town	100,000
Dongyuan	102,000
Fengkai	89,000
Guangning	83,000
Heyuan	324,000
Huadu	679,000
Huaiji	133,000
Jiangmen Hecheng Town Zone	–
Leizhou	354,000
Lianjiang	322,000
Lianzhou	165,000
Luoding	301,000
Panyu Zone, Guangzhou City	1,790,000
Shantou	1,630,000
Sihui	483,000
Xinyi	304,000
Yangxi County	116,000
Yunan	77,000
Zhanjiang	1,050,000
Zhaoqing	928,000
Zhaoqing Development Zone	76,000

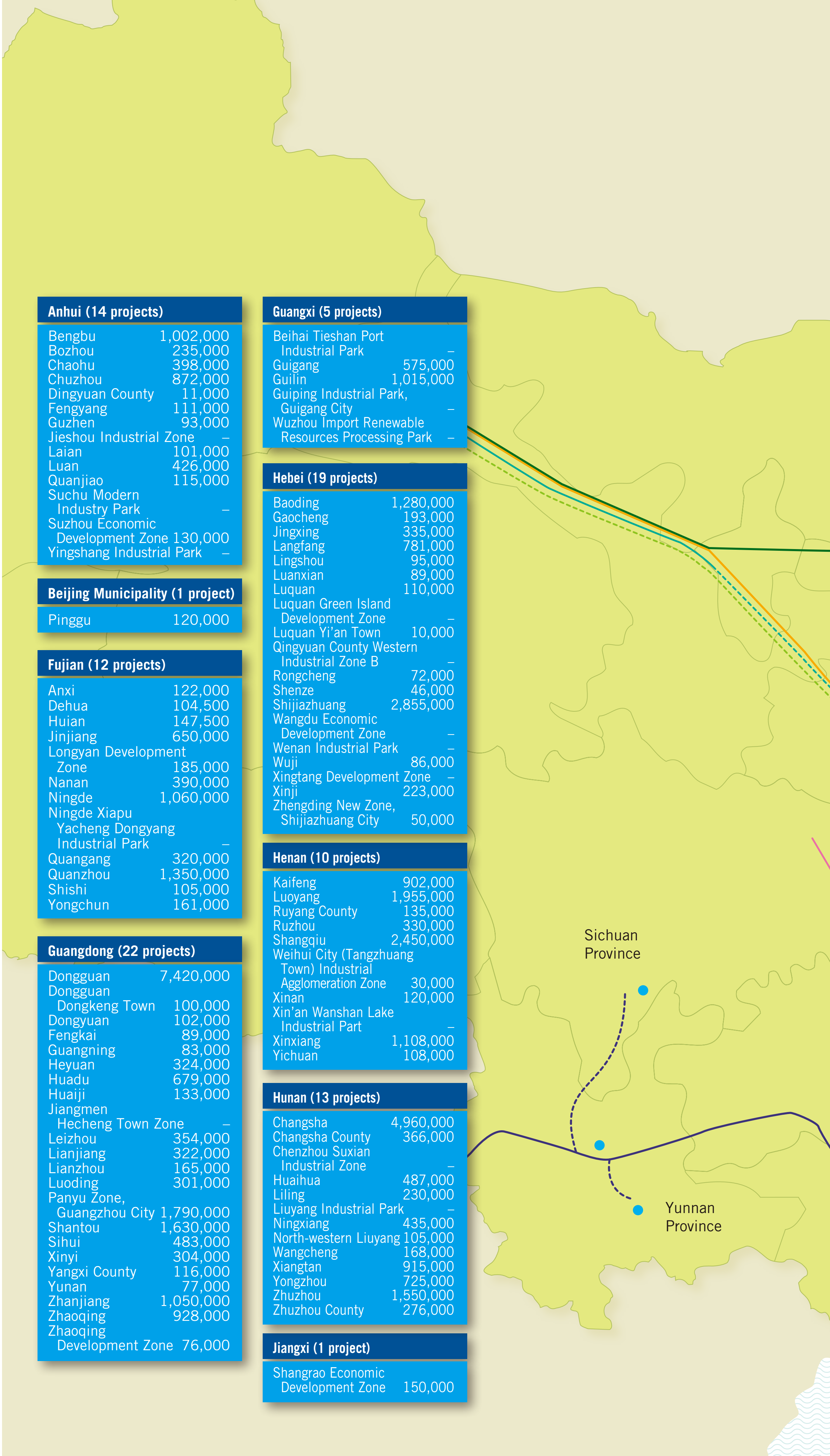
Guangxi (5 projects)	
Beihai Tieshan Port Industrial Park	–
Guigang	575,000
Guilin	1,015,000
Guiping Industrial Park, Guigang City	–
Wuzhou Import Renewable Resources Processing Park	–

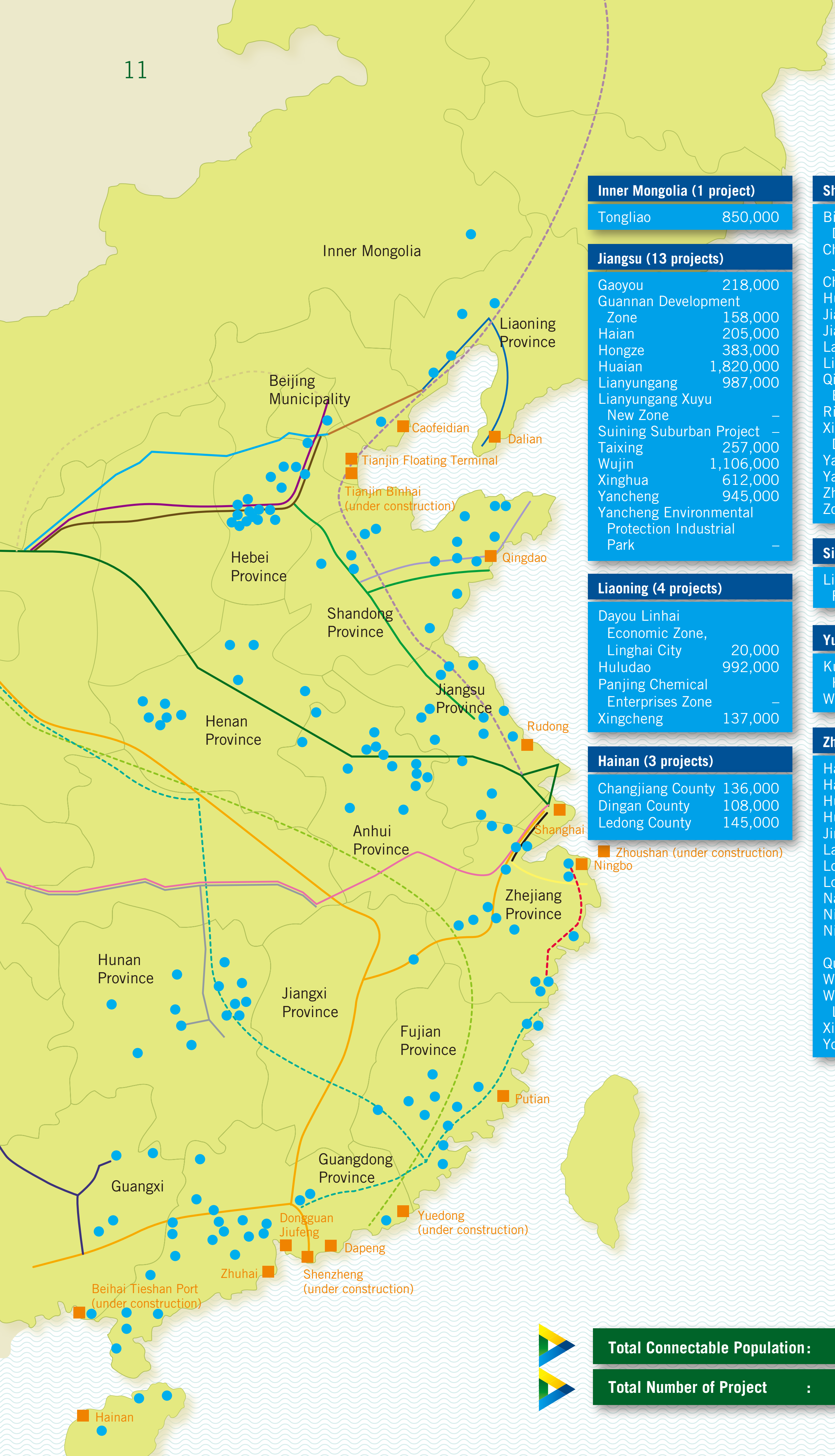
Hebei (19 projects)	
Baoding	1,280,000
Gaocheng	193,000
Jingxing	335,000
Langfang	781,000
Lingshou	95,000
Luanxian	89,000
Luquan	110,000
Luquan Green Island Development Zone	–
Luquan Yi'an Town	10,000
Qingyuan County Western Industrial Zone B	–
Rongcheng	72,000
Shenze	46,000
Shijiazhuang	2,855,000
Wangdu Economic Development Zone	–
Wenan Industrial Park	–
Wuji	86,000
Xingtang Development Zone	–
Xinji	223,000
Zhengding New Zone, Shijiazhuang City	50,000

Henan (10 projects)	
Kaifeng	902,000
Luoyang	1,955,000
Ruyang County	135,000
Ruzhou	330,000
Shangqiu	2,450,000
Weihui City (Tangzhuang Town) Industrial Agglomeration Zone	30,000
Xinan	120,000
Xin'an Wanshan Lake Industrial Part	–
Xinxiang	1,108,000
Yichuan	108,000

Hunan (13 projects)	
Changsha	4,960,000
Changsha County	366,000
Chenzhou Suxian Industrial Zone	–
Huaihua	487,000
Liling	230,000
Liuyang Industrial Park	–
Ningxiang	435,000
North-western Liuyang	105,000
Wangcheng	168,000
Xiangtan	915,000
Yongzhou	725,000
Zhuzhou	1,550,000
Zhuzhou County	276,000

Jiangxi (1 project)	
Shangrao Economic Development Zone	150,000





Inner Mongolia (1 project)	
Tongliao	850,000

Jiangsu (13 projects)	
Gaoyou	218,000
Guannan Development Zone	158,000
Haian	205,000
Hongze	383,000
Huaian	1,820,000
Lianyungang	987,000
Lianyungang Xuyu New Zone	–
Suining Suburban Project	–
Taixing	257,000
Wujin	1,106,000
Xinghua	612,000
Yancheng	945,000
Yancheng Environmental Protection Industrial Park	–

Liaoning (4 projects)	
Dayou Linhai Economic Zone, Linghai City	20,000
Huludao	992,000
Panjing Chemical Enterprises Zone	–
Xingcheng	137,000

Hainan (3 projects)	
Changjiang County	136,000
Dingan County	108,000
Ledong County	145,000

Shandong (15 projects)	
Binzhou Zhanhua Economic Development Zone	–
Changqing Zone, Jinan City	564,000
Chengyang	660,000
Huangdao	570,000
Jiaonan	405,000
Jiaozhou	421,000
Laiyang	316,000
Liaocheng	600,000
Qingdao Sino-German Ecopark	–
Rizhao	428,000
Xintai City Development Zone	–
Yantai	1,850,000
Yantai Development Zone	–
Zhucheng	510,000
Zouping	222,000

Sichuan (1 project)	
Liangshan Prefecture	655,000

Yunnan (2 projects)	
Kunming City Hi-tech Zone	47,000
Wenshan	447,000

Zhejiang (16 projects)	
Haining	286,000
Haiyan	110,000
Huangyan	635,000
Huzhou	506,000
Jinhua	150,000
Lanxi	134,000
Longwan	361,000
Longyou	130,000
Nanxun	493,000
Ningbo (Yinzhou)	616,000
Ningbo Daxie Development Zone	–
Quzhou	356,000
Wenzhou	–
Wenzhou Wanquan Light Industrial Base	–
Xiaoshan	690,000
Yongkang	240,000

Total Connectable Population:	**71,536,000**
Total Number of Project :	**152**

PROJECT OPERATIONAL DATA

		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Anhui	Bengbu	2002	535	2
	Bozhou	2003	299	1
	Chaohu	2003	225	2
	Chuzhou	2002	588	2
	Dingyuan County	2013	–	–
	Fengyang	2005	218	–
	Guzhen	2007	4	–
	Jieshou Industrial Zone	2012	38	–
	Laian	2006	125	–
	Luan	2003	251	1
	Quanjiao	2007	129	–
	Suchu Modern Industry Park	2013	4	–
	Suzhou Economic Development Zone	2015	–	–
	Yingshang Industrial Park	2014	8	–
Beijing	Pinggu	2001	143	1
Fujian	Anxi	2011	34	2
	Dehua	2003	131	1
	Huian	2006	89	–
	Jinjiang	2006	338	1
	Longyan Development Zone	2012	10	1
	Nanan	2006	163	1
	Ningde	2015	–	–
	Ningde Xiapu Yacheng Dongyang Industrial Park	2013	–	–
	Quangang	2008	39	–
	Quanzhou	2006	509	5
	Shishi	2006	129	–
	Yongchun	2009	25	–
Guangdong	Dongguan	2003	1,674	4
	Dongguan Dongkeng Town	2015	–	–
	Dongyuan	2013	15	–
	Fengkai	2010	7	1
	Guangning	2010	26	1
	Heyuan	2013	45	–
	Huadu	2010	289	1
	Huaiji	2010	22	–
	Jiangmen Hecheng Town Zone	2012	–	–
	Leizhou	2013	13	–
	Lianjiang	2013	20	–
	Lianzhou	2010	5	–
	Luoding	2010	16	–
	Panyu Zone, Guangzhou City	2011	228	4
	Shantou	2004	152	4
	Sihui	2009	83	1
	Xinyi	2010	13	–
	Yangxi County	2014	14	–
	Yunan	2011	12	–
	Zhanjiang	2004	353	3
	Zhaoqing	2008	217	1
	Zhaoqing Development Zone	2005	101	1
Guangxi	Beihai Tieshangang Industrial Park	2015	–	–
	Guigang	2004	163	2
	Guilin	2004	398	3
	Guiping Industrial Park, Guigang City	2011	–	–
	Wuzhou Import Renewable Resources Processing Park	2015	–	–
Hainan	Changjiang County	2014	–	–
	Dingan County	2014	–	–
	Ledong County	2014	–	–

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)	
3,000	253,226	960	941,469	15
113	113,955	501	220,113	5
210	142,402	575	388,005	5
600	171,009	1,056	627,357	6
–	–	–	–	–
–	19,929	114	357,296	1
–	–	4	22,000	–
–	–	3	35,686	2
–	36,875	152	256,670	–
480	174,143	540	332,154	6
–	49,371	222	117,848	1
–	–	6	13,810	–
–	–	–	–	–
–	–	3	11,000	–
300	38,021	291	417,030	2
1,976	12,492	39	27,858	–
2,680	11,779	336	293,310	–
–	33,919	156	576,045	–
1,340	78,139	812	3,896,604	1
896	2,360	4	8,400	–
660	28,827	205	1,459,194	1
–	–	–	–	–
–	–	1	50	1
–	1,921	22	420,556	–
1,500	106,680	603	310,615	19
–	27,291	343	291,272	–
480	1,937	63	67,775	–
3,932	420,280	4,406	4,190,964	27
–	–	–	–	–
–	4,566	17	12,930	–
206	3,303	2	21	–
596	3,454	7	34,580	–
–	23,337	114	28,950	–
540	128,830	554	459,087	2
–	6,111	16	2,527	–
–	–	–	–	–
–	601	6	986	–
–	406	12	15,777	–
–	2,789	15	30,730	–
–	7,971	23	21,050	–
1,272	111,041	669	359,482	1
200	61,135	255	212,233	1
36	17,750	138	657,785	–
–	622	6	951	–
–	–	8	6,159	–
–	3,065	9	2,770	–
485	139,136	638	506,867	7
2,514	73,723	312	446,190	6
100	9,645	124	436,115	–
–	–	–	–	–
1,160	59,464	172	64,524	1
1,857	175,252	798	204,215	6
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	465	2	2,160	–
–	–	–	–	–

		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Hebei	Baoding	2013	136	–
	Gaocheng	2012	4	–
	Jingxing	2011	15	–
	Langfang	1993	608	4
	Lingshou	2012	7	–
	Luanxian	2009	33	1
	Luquan	2004	67	1
	Luquan Green Island Development Zone	2012	–	–
	Luquan Yi'an Town	2015	–	–
	Qingyuan County Western Industrial Zone B	2015	–	–
	Rongcheng	2011	21	–
	Shenze	2012	28	–
	Shijiazhuang	2002	1,013	1
	Wangdu Economic Development Zone	2014	–	–
	Wenan Industrial Park	2012	–	–
	Wuji	2012	26	–
	Xingtang Development Zone	2012	9	–
	Xinji	2012	6	–
	Zhengding New Zone, Shijiazhuang City[8]	2011	–	–
Henan	Kaifeng	2003	825	2
	Luoyang	2006	1,508	4
	Ruyang County	2013	8	2
	Ruzhou	2015	–	–
	Shangqiu	2004	266	1
	Weihui City (Tangzhuang Town) Industrial Agglomeration Zone	2012	10	–
	Xinan	2007	177	2
	Xin'an Wanshan Lake Industrial Park	2015	–	–
	Xinxiang	2002	618	1
	Yichuan	2009	28	1
Hunan	Changsha	2003	1,959	8
	Changsha County[6]	2010	–	–
	Chenzhou Suxian Industrial Zone	2013	11	–
	huaihua	2010	58	1
	Liling	2012	–	–
	Liuyang Industrial Park	2013	51	–
	Ningxiang	2011	151	1
	North-western Liuyang	2013	35	–
	Wangcheng	2011	–	–
	Xiangtan	2003	484	4
	Yongzhou	2011	48	1
	Zhuzhou	2003	552	1
	Zhuzhou County[7]	2010	–	–
Jiangsu	Gaoyou	2001	180	3
	Guannan Development Zone	2014	15	–
	Haian	2002	311	3
	Hongze	2011	108	1
	Huaian	2002	762	2
	Lianyungang	2003	631	2
	Lianyungang Xuyu New Zone	2013	24	–
	Suining Suburban Project	2013	21	–
	Taixing	2002	299	2
	Wujin	2003	1,421	3
	Xinghua	2002	231	2
	Yancheng	2002	827	4
	Yancheng Environment Protection Industrial Park	2011	58	–

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)	
–	330,490	732	852,947	2
–	3,257	11	73,259	–
–	12,132	18	32,013	–
988	262,149	1,728	1,735,290	12
–	2,754	10	11,978	–
1,200	13,741	41	217,741	–
1,800	49,013	49	64,381	1
–	611	15	35,121	–
–	–	–	–	–
–	–	–	–	–
–	8,657	95	125,423	–
–	2,691	9	3,885	–
2,676	932,376	1,570	3,954,618	27
–	–	–	–	–
–	–	–	–	–
–	3,982	25	33,402	–
–	299	6	13,200	–
–	120	2	4,840	–
–	–	–	–	–
1,040	271,180	1,429	495,214	6
1,436	530,102	1,111	2,014,299	21
1,590	295	132	296,914	–
–	–	–	–	–
580	151,714	570	440,080	7
–	3,202	11	11,484	–
1,350	22,372	45	441,442	1
–	–	–	–	–
580	317,700	1,368	1,262,714	8
30	2,659	21	264,810	–
3,658	1,358,952	7,029	4,257,297	22
–	–	–	–	–
–	–	2	70,000	–
120	39,791	183	51,992	2
–	–	–	–	–
–	4,760	105	69,207	–
720	37,160	415	161,477	1
–	3	4	3,132	–
–	–	–	–	–
2,082	291,694	1,854	583,194	8
960	12,390	70	57,117	2
1,020	428,074	2,803	1,889,503	5
–	–	–	–	–
2,982	75,597	334	111,709	1
–	2,419	–	–	1
268	81,777	514	448,948	2
888	21,532	92	199,910	–
580	323,913	860	1,024,350	11
675	262,639	1,033	847,554	7
–	398	9	18,306	–
–	644	6	7,500	–
396	92,852	494	481,018	2
3,050	303,210	3,504	2,207,058	10
1,150	68,032	330	154,259	3
1,650	304,819	1,524	763,969	7
–	–	–	–	–

		Year of establishment	Length of existing pipelines (km)	No. of existing natural gas processing stations
Jiangxi	Shangrao Economic Development Zone	2015	–	–
Liaoning	Dayou Linhai Economic Zone, Linghai City	2011	40	1
	Huludao	2000	427	3
	Panjing Chemical Enterprises Zone	2012	–	–
	Xingcheng[3]	2002	–	–
Inner Mongolia	Tongliao	2004	195	1
Shandong	Binzhou Zhanhua Economic Development Zone	2013	14	–
	Changqing Zone, Jinan City	2011	–	–
	Chengyang	2001	514	3
	Huangdao	2001	468	4
	Jiaonan	2003	332	1
	Jiaozhou	2003	448	1
	Laiyang	2002	229	1
	Liaocheng	2000	481	5
	Qingdao Sino-German Ecopark	2012	–	–
	Rizhao	2002	337	1
	Xintai City Development Zone	2013	–	–
	Yantai	2004	955	7
	Yantai Development Zone[4]	2001	–	–
	Zhucheng	2001	337	2
	Zouping	2002	200	1
Sichuan	Liangshan Prefecture	2013	–	–
Yunnan	Kunming City Hi-tech Zone	2011	26	2
	wenshan	2010	57	1
Zhejiang	Haining	2002	461	2
	Haiyan	2008	36	2
	Huangyan	2005	151	–
	Huzhou	2004	662	2
	Jinhua	2003	146	2
	Lanxi	2003	111	–
	Longwan	2004	1	–
	Longyou	2009	122	3
	Nanxun[5]	2009	–	–
	Ningbo (Yinzhou)	2007	456	2
	Ningbo Daxie Development Zone	2015	3	–
	Quzhou	2002	274	3
	Wenzhou	2003	127	1
	Wenzhou Wanquan Light Industrial Base	2012	–	–
	Xiaoshan	1994	438	1
	Yongkang	2005	204	1
Other projects				
Shanghai (CNG)			–	–
Shanghai (LPG)			–	–
Shanghai (DME)			–	–
Other gas refuelling station projects			136	–
TOTAL			**29,936**	**157**

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.

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

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)	
–	–	–	–	–
60	14,733	71	75,079	1
1,350	267,320	648	507,094	8
–	–	–	–	–
–	–	–	–	–
60	141,412	226	66,313	3
–	6,159	18	45,701	–
–	–	–	–	4
600	241,294	716	1,073,129	9
5,587	225,242	590	1,636,535	5
837	142,090	212	523,076	5
420	159,543	696	699,904	6
150	74,487	379	214,718	3
2,958	198,213	735	1,154,992	5
–	2,346	2	865	–
300	177,445	398	455,399	4
–	–	–	–	–
1,296	427,072	1,114	1,398,167	15
–	–	–	–	–
543	140,216	352	519,152	3
600	50,711	141	639,377	4
–	–	–	–	–
460	6,786	52	135,820	7
100	13,541	26	4,179	1
516	70,746	597	763,808	3
847	2,384	108	300,898	3
–	39,414	204	175,131	1
648	128,431	1,137	746,086	8
210	64,317	302	230,847	3
–	32,925	253	259,422	–
–	606	20	29,200	–
1,164	11,962	101	96,162	–
–	–	–	–	–
130	145,353	648	510,151	4
–	–	–	–	–
280	79,378	486	366,450	5
120	25,168	146	203,295	3
–	–	–	–	–
200	219,983	670	536,755	5
160	27,385	333	658,732	–
–	–	–	–	5
–	–	–	–	28
–	–	–	–	1
–	–	–	1	139
80,198	**12,326,036**	**56,858**	**58,608,161**	**576**

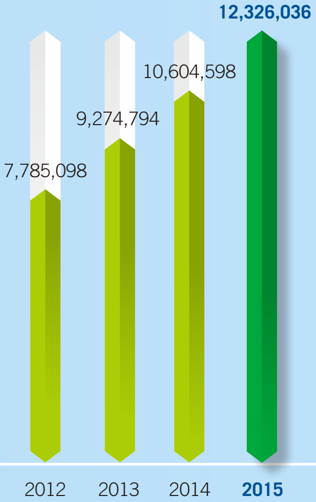
(6) The projects in Changsha County and Wangcheng are operated by Changsha ENN Gas Company Limited. The operational data is included in Changsha.

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

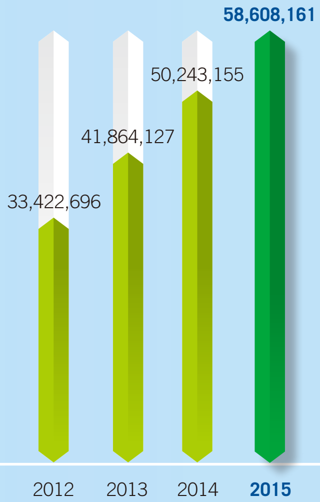
(8) The project in Zhengding New Zone, Shijiazhuang City is operated by Shijiazhuang ENN Gas Company Limited. The operational data is included in Shijiazhuang.

OPERATIONAL HIGHLIGHTS

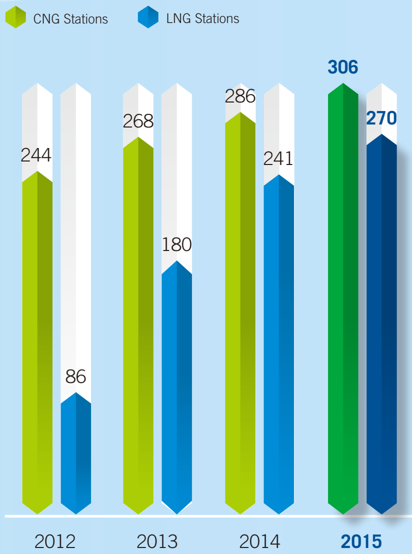
Accumulated Number of Connected Residential Customers
(Households)



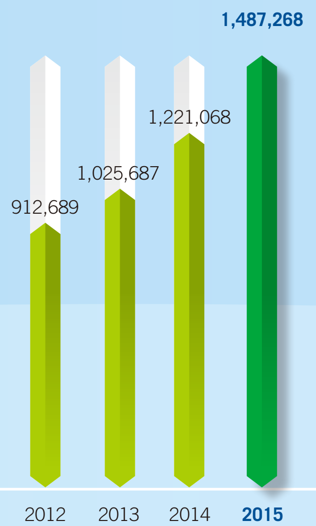
Accumulated Number of Connected Commercial/ Industrial Customers
(Installed designed daily capacity m^3)



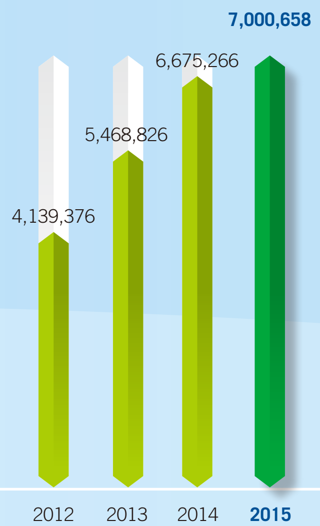
Number of Vehicle Gas Refuelling Stations



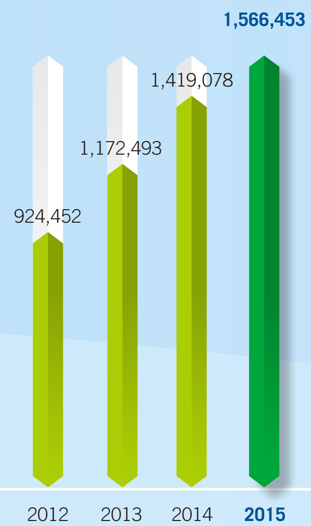
Units of Natural Gas Sold to Residential Households
('000 m^3)



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

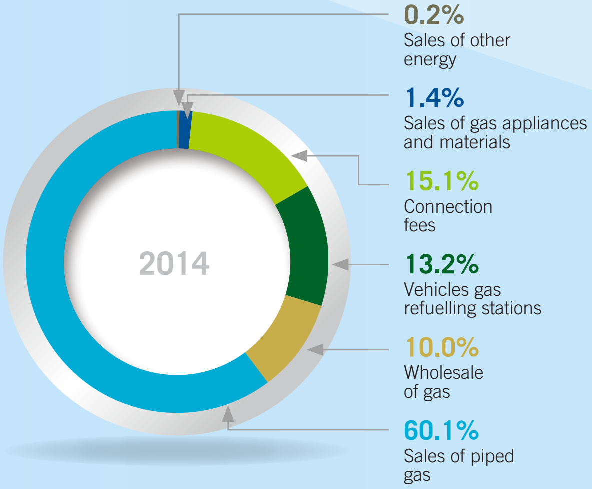


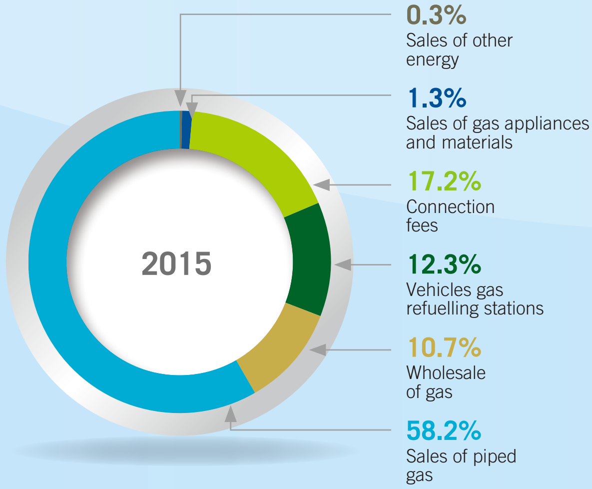
Units of Natural Gas Sold to Vehicles
('000 m^3)



FINANCIAL HIGHLIGHTS

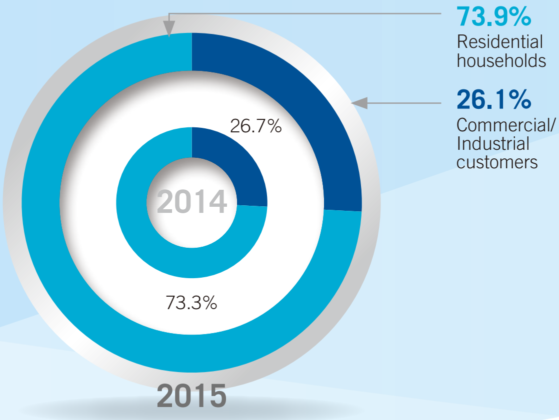
Turnover Breakdown by Segment



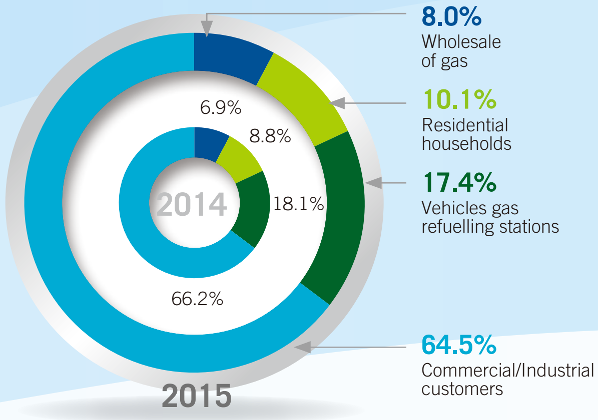


Turnover Breakdown by Customer

Connection Fees



Sales of Gas



COMPARISON OF TEN-YEAR RESULTS

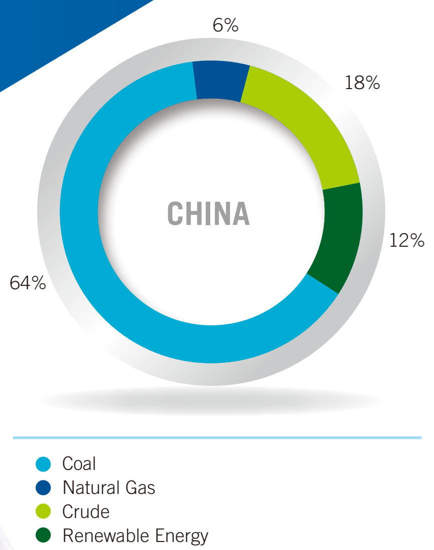
	2015	2014	2013	2012
Highlights (Group)				
Number of connected households (piped gas)	**12,326,036**	10,604,598	9,274,794	7,785,098
Installed designed daily capacity for commercial/ industrial customers (piped gas) (m^3)	**58,608,161**	50,243,155	41,864,127	33,422,696
Units of piped gas sold				
Residential households ('000 m^3)	**1,490,416**	1,225,825	1,030,054	930,290
Commercial/industrial customers ('000 m^3)	**7,001,499**	6,676,785	5,538,164	4,345,314
Vehicles gas refuelling stations ('000 m^3)	**1,588,928**	1,441,323	1,186,697	935,926
Wholesale of gas ('000 m^3)	**1,231,521**	804,160	370,019	248,536
Length of existing pipelines[1] (km)	**29,936**	27,065	23,907	21,312
Number of existing natural gas processing stations	**157**	149	137	126
Daily capacity of existing natural gas processing stations (m^3)	**80,198,000**	73,617,000	58,088,000	46,176,000
Turnover & Profit (RMB million)				
Revenue	**32,063**	29,087	22,966	18,027
Profit before tax	**4,027**	4,747	2,760	2,852
Income tax expense	**(1,306)**	(1,127)	(960)	(859)
Profit for the year	**2,721**	3,620	1,800	1,993
Non-controlling interests	**(685)**	(652)	(548)	(511)
Profit and total comprehensive income for the year attributable to owners of the Company	**2,036**	2,968	1,252	1,482
Dividends	**690**	709	414	362
Assets & Liabilities (RMB million)				
Non-current assets	**30,328**	23,715	21,006	18,137
Associates	**1,024**	882	804	798
Joint Ventures	**3,810**	3,436	2,998	2,271
Current assets	**11,857**	15,002	11,097	9,687
Current liabilities	**(19,408)**	(13,540)	(10,869)	(11,614)
Non-current liabilities	**(11,516)**	(14,954)	(13,144)	(8,609)
Net assets	**16,095**	14,541	11,892	10,670
Capital & Reserves (RMB million)				
Share capital	**113**	113	113	113
Reserves	**13,355**	11,985	9,430	8,540
Equity attributable to owners of the Company	**13,468**	12,098	9,543	8,653
Non-controlling interests	**2,627**	2,443	2,349	2,017
	16,095	14,541	11,892	10,670
Earnings per share – basic (RMB)	**1.88**	2.74	1.16	1.39

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

2011	2010 (Restated)	2009 (Restated)	2008	2007 (Restated)	2006
6,815,165	5,618,583	4,706,663	3,745,145	3,167,800	2,458,735
25,767,276	18,175,160	13,486,437	9,518,438	7,594,338	5,023,652
824,276	640,597	520,170	420,880	359,991	299,806
3,591,898	2,765,488	2,031,242	1,816,947	1,596,608	927,255
696,442	520,438	388,420	334,031	180,889	100,684
260,928	222,833	–	–	–	–
18,854	16,340	14,126	12,584	11,301	9,234
115	100	94	90	83	74
32,003,000	23,970,000	14,638,000	14,378,000	14,149,000	13,563,000
15,068	11,215	8,413	8,266	5,756	3,397
2,327	1,811	1,383	1,131	815	534
(660)	(410)	(304)	(260)	(109)	(50)
1,667	1,401	1,079	871	706	484
(414)	(388)	(276)	(240)	(199)	(104)
1,253	1,013	803	631	507	380
315	297	200	158	127	76
15,517	12,712	10,542	9,138	8,176	6,329
694	488	324	292	386	340
1,733	1,361	1,016	758	484	296
8,944	5,079	4,754	4,354	3,504	3,070
(9,520)	(7,489)	(5,364)	(5,428)	(3,957)	(2,699)
(8,528)	(4,611)	(4,844)	(3,697)	(3,932)	(3,467)
8,840	7,540	6,428	5,417	4,661	3,869
110	110	110	106	106	103
6,936	5,922	5,007	4,128	3,629	2,954
7,046	6,032	5,117	4,234	3,735	3,057
1,794	1,508	1,310	1,183	926	812
8,840	7,540	6,427	5,417	4,661	3,869
1.19	0.97	0.78	0.63	0.51	0.41

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.

Primary Energy Mix in 2015



Business Review

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

City-gas Business

Residential Customers

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

C/I Customers

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

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

New Customers Development

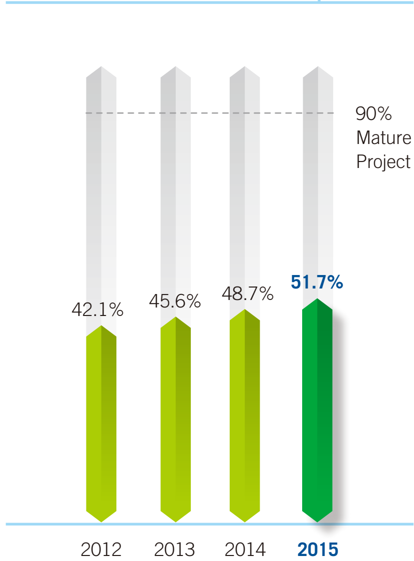
During the year, the Group's connection fee revenue was RMB5,508 million, up 25.1% over last year. The Group conducted natural gas connection to 1,707,020 residential households during the year. The average one-off connection fee collected by the Group from its residential households was RMB2,762 per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

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

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

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

Residential Penetration Rate*



* Gas penetration rate of projects under ENN coverage

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

New Projects

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

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

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

Promote gas usage as transportation fuel

The 19 new concessions nearby existing projects include:

Projects	Operational areas
Anhui Province	Chaohu Miaogang County, Chaohu Langanji Town, Chaohu Suwan Town, Chaohu Zhegao Town Industrial Zone, Liuan Shiqiao Town Qinglongzui Industrial Park, Liuan Shuanghe Industrial Park, Liuan Sungang Industrial Park and Towns and counties in Quanjiao
Jiangsu Province	Jianhu County Jiulongkou Town, Jianhu County Yanhe Town, Huai'an Qingpu District Heping Town, Huai'an Qingpu District Wudun Town
Hebei Province	Xingtang New Zone, Dingzhou Pangcun Industrial Park and Baolongcang International Agriculture Products Logistics Park
Henan Province	Zhuxian Town National Culture, Ecology & Tourism Demonstration Zone
Zhejiang Province	Longyou Shifo Town Industrial Park and Jiande Datong Industrial Park
Hunan Province	Jingzhou Industrial Park

The high concentration of C/I users of the above projects and their close proximity to the Group's existing projects will help increase the Group's gas sales volume and further enhance its operating efficiency through economies of scale.

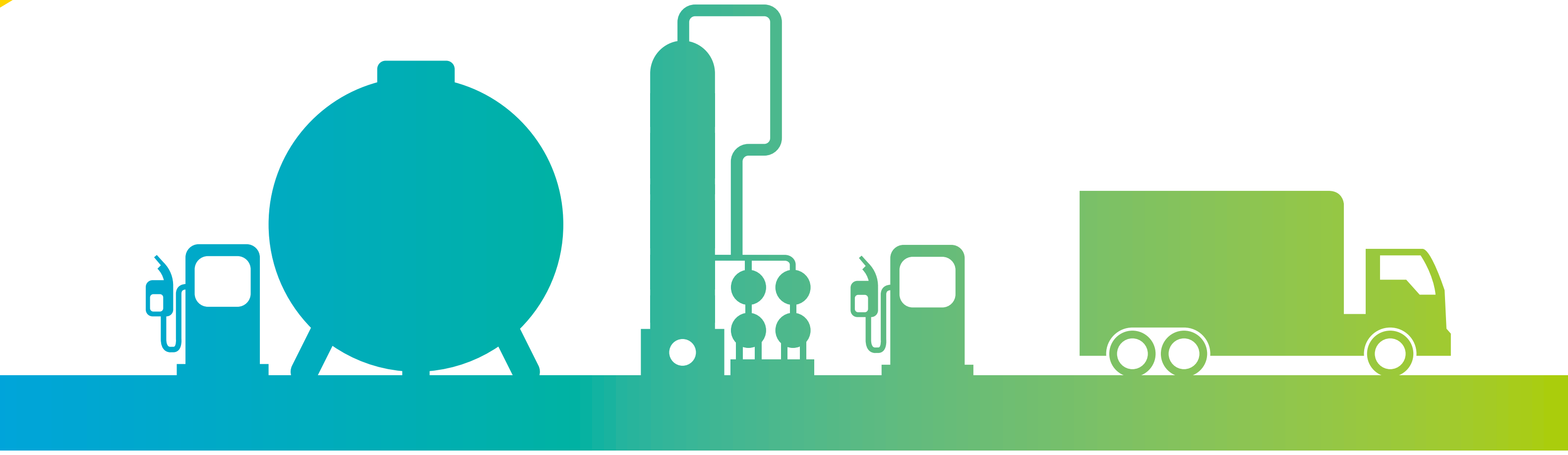
Vehicle Refuelling and Bunkering Business

PRC Vehicle Gas Refuelling Business

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

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

After the price cut by the NDRC in November 2015, the price advantage of natural gas over refined oil has become more significant. On 13 January 2016, the NDRC announced the "Notice on



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

North America Gas Refuelling Business

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

LNG Bunkering Business

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

Development of New Businesses

Energy Trading Business

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

Exploration of Electricity Sales Business

In November 2015, the NDRC and the NEA officially published six supportive documents on the reform of the electricity regime in the PRC, including the "Implementation Proposal for Promoting Power Transmission and Distribution Pricing Reform", to promote the liberalisation of electricity sales market,

Natural Gas

encourage social capital to invest in the establishment of electricity sales entities, and at the same time encourage water, gas and heating suppliers and other public utility service providers and energy-saving solution companies to engage in the electricity sales business. At the end of 2015, Yunnan Province and Guangdong Province were officially approved as pilot provinces for electricity market reform. Drawing on the support of relevant policies and opportunities brought by the liberalisation of the electricity sales business, the Group announced on 8 January 2016 that it would explore and enter into the electricity sales business in Kunming High Tech Zone in Yunnan and Zhaoqing New Zone in Guangdong as pilot projects.

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

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

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

Financial Resources Review

Key Financial Data

During the year, the Company's total revenue amounted to RMB32,063 million, representing an increase of 10.2% over last year. Revenue attributable to piped gas sales, vehicle gas refuelling business and gas connection increased by 6.8%, 2.1% and 25.1% to RMB18,680 million, RMB3,931 million and RMB5,508 million

respectively, while revenue from wholesale gas, sales of gas appliances and materials, and sales of other energy reached RMB3,429 million, RMB432 million and RMB83 million, respectively, representing increases of 18.3%, 8.5% and 53.7%.

Liquidity and Financial Resources

As at 31 December 2015, the Group's total debts amounted to RMB15,680 million (31 December 2014: RMB14,500 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB7,355 million (31 December 2014: RMB10,503 million). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 51.7% (2014: 27.5%). The increase in net gearing ratio compared with last year was due to the approximately RMB4 billion payment made during the year for the acquisition of 1.13% stake of Sinopec Marketing.

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

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

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

Borrowings Structure

As at 31 December 2015, the Group's total debts amounted to RMB15,680 million (31 December 2014: RMB14,500 million), including fixed rate bonds of US$715 million (equivalent to RMB4,584 million) and US$64.8 million (equivalent to RMB417 million), zero coupon convertible bonds of US$500 million (equivalent to RMB3,556 million), as well as fixed rate bond of RMB2,500 million. Except for bank loans of US$113 million (equivalent to RMB737 million), the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rates announced by People's Bank of China. Except for the loan amount equivalent to RMB418 million that are secured by assets with a carrying value equivalent to RMB11 million, all of the other loans are unsecured. Short-term loans amounted to RMB2,600 million while the remaining were long-term loans falling due after one year or above.

Maximum Five-year 3.68% Fixed Rate RMB Bonds

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

Five-year 3.25% Fixed Rate Bonds

On 23 October 2014, the Group issued five-year bonds in the aggregate principal amount of US$400 million (equivalent to RMB2,460 million) with issue price of 99.502% and redemption price of 100%. The coupon of the bonds is 3.25%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, Chairman of the Company, to retain not less than 20% of the issued share capital of the Company throughout the term of the bonds. To respond to the influence brought by Renminbi depreciation, on 24 September 2015, the Group made an offer to repurchase for cash any and all outstanding bonds. As at the expiration deadline on 12 October 2015, approximately US$335 million principal amount of the bonds, representing approximately 83.79% of the US$400 million total aggregate principal amount of the bonds outstanding as at such date, had been tendered and not been withdrawn. All bonds which were validly tendered pursuant to the tender offer were accepted for repurchase by the Company. Settlement of the accepted bonds took place on 20 October 2015 upon the payment of consideration of approximately US$343 million. The principal amount of the bonds outstanding as at 31 December 2015 after the cancellation of accepted bonds amounted to approximately US$64.8 million.

Ten-year 6% Fixed Rate US$ Bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US$750 million (equivalent to RMB4,863 million) with an issue price of 99.274% and a redemption price of 100%. The coupon of the bonds is 6%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25% of the issued share capital of the Company throughout the term of the bonds. During the year, the Group repurchased a principal amount of US$35 million of the bonds in the market in October for a consideration of RMB247 million. The bonds repurchased were not yet cancelled as at 31 December 2015. The remaining principal amount of the bonds outstanding as at 31 December 2015 amounted to US$715 million.

Five-year Zero Coupon US$ Convertible Bonds

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

According to HKFRS 13 and HKAS 39, the bonds need to be stated at fair value, with any changes in fair value recognised in profit or loss in the current period from time to time until the bonds matured, converted or redeemed. For the current year, the change in fair value of such bonds amounts to RMB200 million, it is calculated by reference to its trading price on the Singapore Stock Exchange on 31 December 2015, together with the impact from USD translation difference. As such, a RMB200 million non-cash loss was recorded on book. For more details of major terms about the bonds, please refer to the announcement in relation to the proposed issue of the bonds published on 30 January 2013 and the "Offering Memorandum" attached in the overseas regulatory announcement published on 27 February 2013.

As at 31 December 2015, the convertible bonds were classified as current liabilities in the Group's consolidated financial statements as it is at the discretion of the holders to exercise the option on 26 February 2016 (the "Put Option Date"). Since 26 February 2016, the convertible bonds would be reclassified as non-current liabilities as there is no holders exercise the option on Put Option Date.

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

Excellent Management

During the year, the Group actively promoted excellent operation management. 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, improving capital management, as well as continuing clearance of low efficient assets and re-utilisation. The Group strengthened the measurement management and promoted the normalisation of measurement data management. Application of new technologies such as Bluetooth cards, Bluetooth metres and remote supervision were accelerated. With these measures, the level of corporate measurement management was fully ramped up. The Group consolidated risk prevention and audit supervision, and organised comprehensive risk review across all enterprises. Audit was conducted on various members under the Group with improvement implemented on an entity-to-entity basis and enhanced internal control management to avoid control loopholes. The Group strengthened safe production and continuously supervised hidden dangers, as well as guided and supervised the comprehensive treatment on the list of findings from safety survey with an aim to consolidating the foundation of safe production.

Corporate Social Responsibility

With a mission of "innovating clean energy, improving living environment, enhancing the quality of life" and the vision of "striving for excellence and harmony through people-oriental approach", the Group has spared no effort in provision of clean and convenient energy and services for its users as well as improvement of urban ecological environment with a view to continuously create long-term and stable value for its staff, shareholders, customers and the society.

Emphasising Talents Development

The Group always regards its staff as its most valuable assets and the key determinant of its ongoing success and future development. Upholding the management philosophy of being people-oriented, the Group believes that maintaining employees' passion and enthusiasm is key to its business advancement.

In 2015, 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 principally focused on drawing up the initiatives for learning among staff by implementation of reformed management on technical skills accreditation for base-level employees as well as optimisation of the skills accreditation system for junior, middle and senior base-level members. The Group adjusted the evaluation regulations and the corresponding remuneration policies, and incorporated the passing rate of technical skills accreditation into its organisational evaluation system in order to procure enhanced skills training. For professional members, the Group made full checks on their existing capability status and designed the career development path for them to formulate a guidance for corporate and staff career development. With optimisation of professional members' accreditation system as well as adjustments of the accreditation conditions and implementation, expertise in terms of engineering techniques, finance, safety and costs are in full connection with social practicing qualifications to enhance work efficiency. During the year, qualification accreditation was completed for 14 types of positions – namely marketing, finance, safety, information, administration, strategic performance, customer service, human resources, project management, construction technology, materials, logistics, branding and public relations, and financial investment – covering over 96.8% of the Group's workforce. On management talents, the Group continued to nurture future leaders and endeavoured 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" has completed the learning and interim assessment works in terms of six areas, including strategic tactics planning, engineering management, operation management, safety management, advanced technology and technical team establishment. Some of the members were promoted to actual positions to put their expertise into practice, and the second phase of the "Long Bench Programme for Chief Engineers" has commenced. The training and development system for university students was further promoted, complemented by a regional assistant director recruitment and development exercise, to accelerate talent development. Individual member companies and districts launched distinctive talent development activities targeting university students, such as youth training camps and youth salons.

As at 31 December 2015, the Group employed a total of 28,317 employees. The increase in the number of staff of the Group is to cater to the needs arising from the acquisition of new projects and business development. They were remunerated at market level with benefits that include bonus, retirement benefits, professional training and a share option scheme.

Shareholders' Interests

Taking the initiative to assume responsibilities towards shareholders and emphasising transparent and compliant operations, the Group strengthened its corporate governance and made timely and adequate disclosure on its operation, so as to enhance the investment value for shareholders and create a win-win situation.

As a listed company in Hong Kong, the Group has strictly complied with the relevant laws and regulations, regulatory systems and requirements regarding information disclosure for listed companies, and has established an open and transparent communication mechanism with its investors. In 2015, the Group organised two results roadshows for global investors and participated in approximately 25 large investor meetings organised by domestic and foreign investment institutions. The Group met approximately 680 investors and arranged for management to hold telephone conferences with them. Meanwhile, the Group strengthened its communication with investors, analysts and media via campaigns such as results release, management interview, spring gathering as well as investors and media site visits, in order to foster their understanding of the Group's business and development prospects.

Enhancing Customer Services

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. During the year, the Group continued to optimise its service management model through ameliorating 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 introduced by launching the online customer service application to proactively establish a community service platform catering for comprehensive daily life service needs in a bid to boost customer satisfaction. On the basis of providing high level gas service and meeting customer needs, the Group provided a range of supporting services, including gas appliances repair and maintenance service, gas appliance

products and insurance, for its customers. 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", helped eliminate customers' worries about potential safety problems, and thus strengthened their confidence in our services.

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 linkage mechanism with the hotline 110 was also established to provide one-stop services. Under the premise of maintaining quality voice service, the call centres completed the establishment of online interaction platform during the year and realised the transformation from single voice interaction to multi-media interaction. Such transformation does not only bring convenience for customers, but also lowers the operating costs.

Environmental Protection

Energy, environment and sustainable development are pressing issues that need to be addressed immediately. As a responsible clean energy distributor, the Group endeavours to promote the use of clean energy, and minimise the impact of the growing demand for energy on the environment as the economy advances through technological innovation that improves energy utilisation and efficiency. The Group 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 heavy oil with clean energy, such as natural gas. To reduce pollutants emission, the "coal-to-gas" project was facilitated with great efforts to convert coal-fired boilers into natural gas boilers. It actively promotes vehicle gas refuelling station and ship refuelling businesses as well as "oil-to-gas" projects, so as to reduce exhaust emissions to provide urban clean vehicular energy. In 2015, the Group achieved an aggregate natural gas consumption of 11,290 million cubic metres, or saved (substituted) 15.02 million tons of standard coal, and reduced the emission of carbon dioxide, sulfur dioxide and nitrogen oxides by 17.57 million tons, 360,000 tons and 50,000 tons respectively.

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 RMB24.75 million, reflecting its dedication to the community. Among the various corporate social responsibility projects it initiated was 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 via the participation in tree plantation, books reading and various career experiences. Volunteers from enterprises such as Xiaoshan ENN, Yongkang ENN and Dongguan ENN organised the "Sunflower Visit" voluntary services and commenced elderly respect and care campaigns in welfare centres and elderly houses. By giving presents to and chatting with the elderly, volunteers expressed their care and concern. Meanwhile, 7 member companies, such as Changzhou ENN, Bengbu ENN and Dongguan ENN, made donations to school and infrastructure construction, school conditions improvement and poor students subsidies in areas at where their operations are located. Vast number of staff proactively took part in the "Treasure Clothes for Western China" clothes donation programme for poor children. Over 7,200 old clothes were donated to remote and poor regions such as Qinghai Province, Sichuan Province and Ningxia Hui Autonomous Region via professional organisations for distribution to physically and mentally warm children in poverty. The Group also played an active role in hosting the "ENN Charity Day" themed "Low-carbon Living Starts with Me – Let's Work Together for Cleaner Air" in Zhucheng, Chuzhou, Yancheng, Xiangtan, Changsha, Dongguan, Lanxi, Qinshui, Shijiazhuang and Langfang. Volunteers interacted with citizens in the street and the community to advocate joint participation in preventing air pollution and alleviating smog problem.

Sound corporate governance practices by a management team with foresight

Executive Directors

Mr. WANG Yusuo, aged 52, 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 29 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 Ecological 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 49, 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 Academyin 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. HAN Jishen, aged 51, 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 22 years of experience in the gas fuel industry in the PRC. Mr. Han worked at the senior managerial level for over 17 years at the subsidiary level of the Group and has deep qualifications and extensive experience in marketing research, business development and business management in the gas industry market.

Mr. WANG Dongzhi, aged 47, 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.

Mr. YU Jianchao, aged 47, is the Executive Director and the Vice-President of the Company to assist the President for executing the operation management works. 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 in 1998, 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 27 years of experience in accounting and financial management. Mr. Yu is a director of EGII, which is a controlling shareholder of the Company.

Non-executive Directors

Mr. WANG Zizheng, aged 28, 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 and acquisition and operation management of overseas LNG refuelling stations. Mr. Wang is the Chairman of EGII. He is the son of Mr. Wang Yusuo.

Mr. JIN Yongsheng, aged 52, 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 26 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 62, 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 to 15 February 2016, Mr. Lim was 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) since 1 March 2015 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

Ms. YIEN Yu Yu, Catherine, aged 45, is an Independent Non-executive Director appointed by the Company in 2004. She is currently a managing director of Rothschild (Hong Kong) Limited, and was appointed as a member of the Hong Kong Exchange Listing Committee in 2015. 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, capital markets, and mergers and acquisitions.

Mr. MA Zhixiang, aged 64, 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 47, 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 63, 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 organisation in Hong Kong. Mr. Law is currently the Independent Non-executive Director of HKBN Limited (Stock Code: 1310), whose share is listed in Hong Kong.

Senior Management

Mr. WANG Fengsheng, aged 46, 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 and management of projects in Central China and business expansion. 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 operation.

Mr. YIN Xuexin, aged 51, is the Vice President of the Company, responsible for the Group's energy trading and risk management. 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 operation and has accumulated over 26 years of experience in the PRC gas industry.

Mr. LI Shuwang, aged 50, is the Vice President 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 59, is the Vice President of the Company, 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 Group in 2003, he had worked in Zhuzhou Water Supply Company and Zhuzhou City Gas Company. Mr. Ouyang has over 32 years of managerial experience in public utilities company.

Ms. WU Xiaojing, aged 48, is the Vice President of the Company, 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 operation, market development, brand building and cultural development.

Ms. LU Yufang, 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. 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.

Ms. GE Hua, aged 54, is a Vice President of the Company, responsible for assisting the President in project management of Shandong Region and business expansion. Ms. Ge received an executive master of business administration from the 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 operation and market development.

Mr. ZHANG Yuying, aged 42, is the Vice President of the Company, responsible for marketing and strategic performance, system management, legal and administrative related work. Mr. Zhang graduated from the Renmin University of China in 2003 with an executive master's degree in business administration. Prior to joining the Group in 2003, he worked in Kaifeng Electromechanical Group and Henan Tongli electrical appliances Group. Mr. Zhang has extensive experience in corporate operation, market development and strategic planning.

Mr. ZHANG Guozhong, aged 51, is the Vice President of the Company, responsible for human resource. He graduated from the Tianjing University of Finance and Economics in 2009 with an executive master's degree in business administration. Prior to joining the Group in 2001, he worked as the Secretary of Discipline Inspection Commission in the general armaments department of COSTIND. Mr. Zhang has extensive experience in corporate operation and human resource planning.

Ms. WONG Chui Lai, aged 38, 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 15 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 2015.

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.

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 9 and Management Discussion and Analysis Report from pages 22 to 33 in this Annual Report. Particulars of important events affecting the Company that have occurred since the end of the financial year 2015, if any, can also be found in the abovementioned sections and the Notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this Annual Report including the Chairman's Statement from pages 6 to 9 of this Annual Report. Discussions on the Group's environmental policies and performance, relationship with stakeholders and compliance with laws and regulations that have a significant impact on the Group are confirmed in page 49 to 50.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 82.

The Directors recommend the payment of a final dividend of HK$0.76 (equivalent to approximately RMB0.64) per share to the shareholders on the register of members on 8 June 2016. The total dividend amount is approximately RMB690 million, and the retention of the remaining profit for the year is approximately RMB1,346 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 20 to 21.

Property, Plant and Equipment

During the year, the Group continued to expand its pipeline infrastructure and other related facilities. An aggregate of RMB2,704 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 16 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 85.

Bank and Other Loans

Details of bank and other loans of the Group are set out in Note 37 to the Consolidated Financial Statements.

Charitable Donations

Charitable donations by the Group for 2015 amounted to RMB25 million.

Directors' and Senior Management Members' Emoluments

Details of Directors' and senior management members' emoluments are set out in Note 12 to the Consolidated Financial Statements and the corporate governance report on page 68.

Directors

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

Executive Directors:

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

Non-executive Directors:

Mr. Wang Zizheng
Mr. Jin Yongsheng
Mr. Lim Haw Kuang

Independent Non-executive Directors:

Mr. Wang Guangtian (retired on 29 May 2015)
Ms. Yien Yu Yu, Catherine
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

In accordance with Article 116 of the Company's Article of Association, Mr. Wang Yusuo, Mr. Jin Yongsheng, Mr. Yu Jianchao and Ms. Yien Yu Yu, Catherine, shall retire by rotation at the forthcoming annual general meeting ("AGM") of the Company. All the above retiring Directors are eligible and offer themselves for re-election except for Mr. Yu Jianchao who does not offer himself for re-election due to change of position and Ms. Yien Yu Yu, Catherine, who does not offer herself for re-election due to personal development, shall retire at the AGM.

As of 31 December 2015, 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.

Permitted Indemnity Provision

The Articles of Association of the Company provides that every director shall be indemnified out of the asset of the Company against all liability incurred or sustained by him/her as such director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

Disclosure of Interests

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

As at 31 December 2015, 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 2015
Mr. Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	329,249,000 (Note 1)	329,249,000	580,000	329,829,000	30.47%
Mr. Cheung Yip Sang	Beneficial owner	–	–	532,000	532,000	0.05%
Mr. Han Jishen	Beneficial owner	–	–	421,000	421,000	0.04%
Mr. Wang Dongzhi	Beneficial owner	–	–	382,000	382,000	0.04%
Mr. Yu Jianchao	Beneficial owner	–	–	242,000	242,000	0.02%
Mr. Wang Zizheng	Beneficial owner	–	–	60,000	60,000	0.01%
Mr. Jin Yongsheng	Beneficial owner	–	–	142,000	142,000	0.01%
Mr. Lim Haw Kuang	Beneficial owner	–	–	60,000	60,000	0.01%
Ms. Yien Yu Yu, Catherine	Beneficial owner	–	–	260,000	260,000	0.02%
Mr. Yuen Po Kwong	Beneficial owner	–	–	60,000	60,000	0.01%
Mr. Ma Zhixiang	Beneficial owner	–	–	60,000	60,000	0.01%
Mr. Law Yee Kwan, Quinn	Beneficial owner	–	–	60,000	60,000	0.01%

Note:

1. 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 Baoju ("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 2015, 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 schemes, 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 2015	Number of options granted during the year (Note 2)	Number of options reclassified during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2015	Approximate percentage of the Company's total issued share capital as at 31 December 2015
Mr. Wang Yusuo	09.12.2015	01.04.2017–08.12.2025	40.34	–	145,000	–	580,000	0.05%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	145,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	145,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	145,000	–		
Mr. Cheung Yip Sang	09.12.2015	01.04.2017–08.12.2025	40.34	–	133,000	–	532,000	0.05%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	133,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	133,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	133,000	–		
Mr. Han Jishen	09.12.2015	01.04.2017–08.12.2025	40.34	–	105,250	–	421,000	0.04%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	105,250	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	105,250	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	105,250	–		
Mr. Wang Dongzhi	09.12.2015	01.04.2017–08.12.2025	40.34	–	95,500	–	382,000	0.04%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	95,500	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	95,500	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	95,500	–		
Mr. Yu Jianchao	09.12.2015	01.04.2017–08.12.2025	40.34	–	60,500	–	242,000	0.02%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	60,500	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	60,500	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	60,500	–		
Mr. Wang Zizheng	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–	60,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		
Mr. Jin Yongsheng	09.12.2015	01.04.2017–08.12.2025	40.34	–	35,500	–	142,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	35,500	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	35,500	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	35,500	–		
Mr. Lim Haw Kuang	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–	60,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2015	Number of options granted during the year (Note 2)	Number of options reclassified during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2015	Approximate percentage of the Company's total issued share capital as at 31 December 2015
Ms. Yien Yu Yu, Catherine	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	–	–	260,000	0.02%
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	–	–		
	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		
Mr. Ma Zhixiang	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–	60,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		
Mr. Yuen Po Kwong	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–	60,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		
Mr. Law Yee Kwan, Quinn	09.12.2015	01.04.2017–08.12.2025	40.34	–	15,000	–	60,000	0.01%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	15,000	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	15,000	–		
Mr. Wang Guangtian (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				400,000	2,659,000	(200,000)	2,859,000	

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 2015 to 31 December 2015.
3. Mr. Wang Guangtian has retired from the position as a Director of the Company and did not offer himself for re-election at the AGM held on 29 May 2015. The remaining 200,000 share options held by him have not been exercised before the share options expired and were reclassified as share options held by employees.
4. The closing price of shares on the Stock Exchange immediately before the date on which the options were granted was HK$39.85.

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 2015, 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 the Company	Respective interests in share according to share options	Total aggregate interests in shares and underlying shares (Note 4)	Approximate percentage of the Company's total issued share capital as at 31 December 2015
Mr. Wang	Beneficial owner and interest of controlled corporation	329,249,000 (Note 1)	580,000 (Note 2)	329,829,000 (L)	30.47%
Ms. Zhao	Interest of controlled corporation and interest of spouse	329,249,000 (Note 1)	580,000 (Note 2)	329,829,000 (L)	30.47%
EGII	Beneficial owner	329,249,000 (Note 1)	–	329,249,000 (L)	30.41%
The Capital Group Companies, Inc.	Interest of controlled corporation	130,512,700 (Note 3)	–	130,512,700 (L)	12.06%
Capital Research and Management Company	Investment manager	128,156,700	–	128,156,700 (L)	11.84%
Commonwealth Bank of Australia	Interest of controlled corporation	100,484,000	–	100,484,000 (L)	9.28%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	86,600,964	–	86,600,964 (L) (including 403,177 (S) 68,527,081 (P))	8.00%

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. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.

3. 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.)

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

Save as disclosed above, as at 31 December 2015, 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 2015, 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 the "2002 Scheme" and the "2012 Scheme" of the share option schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 and passed at an annual general meeting of the Company held on 26 June 2012 respectively.

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 and 2012 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 2015	Number of share options granted during the year	Number of share options reclassified during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2015	Approximate percentage of the Company's total issued share capital as at 31 December 2015
2002 Scheme								
Directors	14.06.2010	14.12.2010–13.06.2020	16.26	200,000	–	(100,000)	200,000	0.02%
	14.06.2010	14.06.2012–13.06.2020	16.26	200,000	–	(100,000)		
Employees	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		
2012 Scheme								
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	–	664,750	–	2,659,000	0.25%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	664,750	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	664,750	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	664,750	–		
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	–	2,335,250	–	9,341,000	0.86%
	09.12.2015	01.04.2018–08.12.2025	40.34	–	2,335,250	–		
	09.12.2015	01.04.2019–08.12.2025	40.34	–	2,335,250	–		
	09.12.2015	01.04.2020–08.12.2025	40.34	–	2,335,250	–		
Total				400,000	12,000,000	–	12,400,000	

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. Mr. Wang Guangtian has retired from the position as a Director of the Company and did not offer himself for re-election at the AGM held on 29 May 2015. The remaining 200,000 share options held by him have not been exercised before the share options expired and were reclassified as share options held by employees.
3. A total number of 400,000 shares, representing 0.04% of the issued share capital of the Company as at the date of this report are available for issue under the 2002 Scheme and a total number of 12,000,000 shares, representing 1.11% of the issued share capital of the Company as at the date of this report are available for issue under the 2012 Scheme.

No share option was lapsed or cancelled during the year.

Directors' and Controlling Shareholders' Interests in Transactions, Agreements or 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.

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 2015, the property management services fee paid by the Group amounted to RMB15,200,000, which is below the annual cap amount RMB21,000,000 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)
Langfang Elephant Club Property Services Company Limited ("Elephant Club Services")	(i) Langfang Xinao Gas Company Limited	1.1.2015	1 year	Office building in Langfang city	2,400,000
	(ii) Xinao Gas Development Company Limited	1.1.2014	1–3 years	Office building in Langfang city	2,670,000
	(iii) Langfang Branch, Xinao (China) Gas Investment Company Limited	1.1.2015	1 year	Office building in Langfang city	4,440,000
	(iv) Langfang Xinao Gas Equipment Company Limited	1.1.2015	1 year	Office building in Langfang city	940,000
	(v) Xinao Energy Logistics Company Limited	1.1.2014	1–3 years	Office building in Langfang city	2,720,000
	(vi) Xinao Energy Trading Company Limited	1.1.2014	3 years	Office building in Langfang city	320,000
	(vii) Langfang Branch, Xinao Gas Engineering Company Limited	1.1.2015	1 year	Office building in Langfang city	850,000
	(viii) ENN Finance Company Limited	1.1.2015	1 year	Office building in Langfang city	860,000
					15,200,000

(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 2015, the administrative services fee paid by the Group amounted to RMB71,701,000, which is below the annual cap amount RMB74,000,000 as set forth in the Company'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	71,701,000
(ii) Ovation Culture Development Company Limited		• Maintenance services	
(iii) Langfang City Natural Gas Limited		• Technology services	
(iv) Ovation Qixiu Hotel Management 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) Ovation Health Management Company Limited		• Chinese medical services	
(xiii) Ovation Drama (Langfang) Culture Development Company Limited			
(xiv) Langfang Ovation Chinese Medical Technology Company Limited			
(xv) 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 2015, the maritime transportation services fee paid by the Group amounted to RMB92,000, which is below the annual cap amount RMB33,000,000 as set forth in the Company'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	92,000

(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 2015, the energy technology services fee paid by the Group amounted to RMB128,564,000, which is below the annual cap amount RMB150,000,000 as set forth in the Company'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) ENN Science & Technology Development Company Limited	Subsidiaries under ENN Energy Holdings Limited	Energy efficiency technology services	128,564,000
(ii) Langfang Xinao Energy Saving Service Company Limited			
(iii) Xinao Energy Service (Shanghai) Company Limited			
(iv) Xinao Smart Energy Network Technology Company Limited			
(v) Langfang Xinao Energy Solution 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 2015, the electronic business services fee paid by the Group amounted to RMB4,700,000, which is below the annual cap amount RMB22,000,000 as set forth in the Company'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)
(i) Bituo E-commerce Company Limited	Subsidiaries under ENN Energy Holdings Limited	Electronic business services	4,700,000
(ii) Xinzhi Smart Energy Network Technology Company Limited			
(iii) Beijing Qingtian Technology Company Limited			

(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 2015, the equipment purchased and modification services fee paid by the Group amounted to RMB1,324,000, which is below the annual cap amount RMB66,000,000 as set forth in the Company'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	1,324,000

(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 2015, the gas connection service fees charged by the Group amounted to RMB524,000, which is below the annual cap amount RMB27,000,000 as set forth in the Company'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)
Xinao Gas Development Company Limited	(i) Langfang Xinao Property Development Company Limited (ii) Ovation Qixiu Hotel Management Company Limited (iii) ENN Science & Technology Development Company Limited	Gas connection	524,000

(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 31 December 2016, whereby the Wang Family Company agreed to provide the Group with master construction services. For the year ended 31 December 2015, the construction services fee paid by the Group amounted to RMB814,426,000, which is below the annual cap amounted RMB1,040,000,000 as set forth in the Company'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	814,426,000

(I) On 15 August 2014, the Company entered into a Master LNG Supply Agreement with a Wang Family Company for a term commencing from 15 August 2014 end expiring on 31 December 2016, whereby the Wang Family Company agreed to provide the Group with master LNG supply. For the year ended 31 December 2015, the LNG purchasing cost paid by the Group amounted to RMB282,000,000, which is below the annual cap amounted RMB299,205,000 as set forth in the Company'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	282,000,000

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 controlling shareholder of the Company and the spouse of Mr. Wang), 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 transactions, agreements or contracts of significance to which the Company, its parent holding company or its subsidiaries or fellow subsidiaries was a party and in which a Director or a controlling shareholder of the Company or his connected entities 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 conducted 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) for transactions involving the provision of goods or services by the Group. nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) 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.

(d) 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.

Directors' rights to Acquire Shares or Debentures

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 2015. At no time during the year was the Company, its parent company, or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save for Share Option Scheme as disclosed in this Annual Report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

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.

Environmental Policies and Performance

The Group's mission is "advocating clean energy, improving living environment, increasing system energy efficiency and creating value for clients". With an aim to meet customers' needs, the Group leverages its clean energy reserve and transportation resources accumulated for a long time and develops the most efficient tailor-made energy solutions for domestic and overseas clients through its system energy efficiency technology platforms.

The Group reduced the harm to environment caused by economic development by promoting clean energy and conducting energy saving and emission reduction projects. In 2015, the Group promoted 11.29 billion cubic meters of natural gas (2014: 10.1 billion cubic meters), equivalent of replacing 15.02 million tons of standard coals (2014: 12.42 million tons), reducing 17.57 million tons of CO_2 (2014: 11.92 million tons), 360,000 tons of SO_2 (2014: 280,000 tons) and 50,000 tons of NO_x (2014: 180,000 tons).

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board review and monitor the Group's policies and practices on compliance with legal and regulatory requirements in a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year under review, to the best of our knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Purchase, Sale or Redemption of Listed Securities

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

The purpose of share repurchase is to increase net asset value per share and earnings per share. The share repurchase complied with the general mandate to the Directors to repurchase the Company's shares passed in the Company's 2015 Annual General Meeting ("AGM"). Save as above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. During the year, members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn, who are all Independent Non-executive Directors. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and no longer acted as an Audit Committee member of the Company. Three Audit Committee meetings were held during the financial year, and the Audit Committee has reviewed the audited annual accounts for 2014 and the unaudited interim accounts for 2015. In addition, the Audit Committee has reviewed the annual results and the audited annual accounts for 2015 at the Audit Committee meeting held on 21 March 2016.

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 Non-executive Director, namely, Mr. Jin Yongsheng, and five Independent Non-executive Directors, namely, Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and ceased to be a Remuneration Committee member of the Company. Two Remuneration Committee meetings were 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. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and ceased to be a Nomination Committee member of the Company. One Nomination Committee meetings was held during the financial year.

The Risk Management Committee

The Company's Risk Management Committee was established on 9 December 2015. The Risk Management Committee's responsibilities include review the risk management policy so as to govern the identification, assessment, monitoring and reporting of the major risks faced by the Group, and give recommendations to the board of the Company. During the year, the Risk Management Committee is composed of directors namely Mr. Cheung Yip Sang (Executive Director and Vice Chairman), Mr. Han Jishen (Executive Director and President), Mr. Wang Dongzhi (Executive Director and CFO), Mr. Wang Zizheng (Non-executive Director), and four Independent Non-executive Directors, namely, Ms. Yien Yu Yu, Catherine, Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn. There was no meetings being held during the financial year.

The Corporate Governance Code

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Code on the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules throughout the year except the deviation from Code Provision E.1.2. Mr. Wang Yusuo (Chairman of the Board) was unable to attend the AGM held on 29 May 2015 due to business trip. Alternatively, Mr. Cheung Yip Sang, the Executive Director and the Vice Chairman of the Company, attended and acted as the chairman of the said annual general meeting.

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 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.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 10-year senior notes on 13 May 2011 (the "2021 Senior Notes") in an aggregate amount of US$750 million (equivalent to RMB4,863 million) and 5-year zero coupon convertible bonds on 26 February 2013 (the "Convertible Bonds") in an aggregate amount of US$ 500 million (equivalent to RMB3,141 million). The terms and conditions of the 2021 Senior Notes and Convertible 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 respective agreements.

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, 22 March 2016

The Company is committed to upholding good corporate governance practices. The corporate governance principles of the Company emphasise 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:

Annual International ARC Awards

- Year 2015, "Silver, Overall Annual Report: Electric & Gas Services"
- 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"

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)"

China Affiliate of the Balanced Scorecard Institute

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

Corporate Governance Asia

- Year 2015 5th Asian Excellance Awards "Best CFO", "Best Investor Relations Company" and "Best Investor Relations Professional"

EuroWeek

- Year 2005 "Best Asian High Yield Bond Issue"

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”

Institutional Investor Magazine

- Year 2015 – All-Asia Executive Team Ranking: – Best CFOs Sell Side Rank No. 2 and Buy Side Rank No. 3 (Power Sector)
- 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)

International LACP Awards

- Year 2015 “Silver, Vision Awards Annual Report: Energy – Oil, Gas & Consumable Fuels”
- Year 2011 “Platinum, Vision Awards Annual Report: Energy – Oil, Gas & Consumable Fuels”
- Year 2010 “Gold, Vision Awards Annual Report: Energy – Oil, Gas & Consumable Fuels”

IR Magazine

- Year 2015 “Best Investor Relations in Greater China”
- Year 2013/14 “Top 100 for Investor Relations in Greater China”

Mercury Excellence Awards

- Year 2004 “Silver, Annual Report”

Platts

- Year 2013, 2014, 2015 “The Platts Top 250 Global Energy Companies”

Ta Kung Pao

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

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"

Vision Awards

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

Yazhou Zhoukan

- Year 2014, 2015 "Best Company in Clean and Renewable Energy Industry"
- 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"

Code on Corporate Governance Code

During 2015, the Company has complied with the code provisions in the Code on Corporate Governance Code (the "Code") set out in Appendix 14 to 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 each department and operating units, in which the control mechanism is further improved and the awareness of member companies and its employees regarding compliance and risk prevention is further enhanced.

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 2015, all member companies conducted the self-examination of internal control and 28 of them were identified and selected to undertake enhanced internal control evaluation. Furthermore, the Group continued to promote the active risk management model and carried out exit audits, performance audits etc in 39 member companies and finished 69 specific project inspections during the year. The employees' behavior, accountability and performance credibility, together with the member companies' income and expense cycles, and key procedures including engineering and procurement were audited and examined in depth. 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 2015, a total of 6 Board meetings (including four regular Board meetings) were held. Details of Directors' attendance record of Board meetings, Board Committees meetings and general meetings in 2015 are as follows:

	No. of meetings attended during 2015				
	Board	*Audit Committee*	*Nomination Committee*	*Remuneration Committee*	*Annual General Meeting*
Executive Directors:					
Mr. Wang Yusuo	5/6 (4/4)*	–	1/1	–	0/1
Mr. Cheung Yip Sang	6/6 (4/4)*	–	–	–	1/1
Mr. Han Jishen	5/6 (4/4)*	–	–	–	0/1
Mr. Wang Dongzhi	6/6 (4/4)*	–	–	–	1/1
Mr. Yu Jianchao	5/6 (4/4)*	–	–	–	0/1
Non-executive Directors:					
Mr. Wang Zizheng	5/6 (4/4)*	–	–	–	0/1
Mr. Jin Yongsheng	5/6 (4/4)*	–	1/1	2/2	0/1
Mr. Lim Haw Kuang	4/6 (3/4)*	–	–	–	0/1
Independent Non-executive Directors:					
Mr. Wang Guangtian (Note 2)	0/2 (0/1)*	1/1	0/1	0/1	0/1
Ms. Yien Yu Yu, Catherine	5/6 (4/4)*	3/3	1/1	2/2	1/1
Mr. Ma Zhixiang	5/6 (4/4)*	3/3	1/1	2/2	1/1
Mr. Yuen Po Kwong	4/6 (3/4)*	3/3	0/1	1/2	0/1
Mr. Law Yee Kwan, Quinn	4/6 (4/4)*	3/3	1/1	2/2	1/1

Notes

1. *Regular Board Meetings

2. Mr. Wang Guangtian retired as the Independent Non-executive Director of the Company in the AGM that held on 29 May 2015, hence ceased to be the member of 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. • Mr. Han Jishen, as the Executive Director and President of the Company, 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. • 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 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; 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 Hebei Langfang Headquarter during the year by the Chairman, to update and communicate the strategy and operation of the Company with the non-executive directors.
• The Chairman should ensure effective communication with shareholders and views of shareholders are communicated to the board as a whole.	Yes	• 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.

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 22 March 2016, the Board members were as follows:

Mr. Wang Yusuo	(Executive Director and Chairman)
Mr. Cheung Yip Sang	(Executive Director and Vice Chairman)
Mr. Han Jishen	(Executive Director and President)
Mr. Wang Dongzhi	(Executive Director and CFO)
Mr. Yu Jianchao	(Executive Director)
Mr. Wang Zizheng	(Non-executive Director)
Mr. Jin Yongsheng	(Non-executive Director)
Mr. Lim Haw Kuang	(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 34 to 37 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 2015, 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 2014 and the interim results of the Group for the six months period ended 30 June 2015;
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 and senior management;
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. reviewed and approved the share repurchase and cancellation;
8. reviewed and approved the repurchase for cash any and all outstanding bonds of US$400 million with coupon of 3.25% which will mature in 2019; and
9. reviewed and approved the grant of share options to directors and certain employees of 12,000,000 shares.

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, 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. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and also ceased to be the Nomination Committee member. 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 all 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 – 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.	Yes	• The Nomination Committee met once during the year and reviewed on the structure, size, board diversity and composition 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
• 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 Company provided sufficient resources for the Nomination Committee to perform its duties. Where necessary, the Nomination Committee could seek independent professional advice at the Company's expense, to perform its duties.
• 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 2015, 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.
• 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.

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

A. Directors *(continued)*

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 formal and transparent procedures for setting policy on executive directors and senior management remuneration and for fixing the remuneration package for all directors and senior management. No director should be involved in deciding his own remuneration.

Remuneration Committee

The Remuneration Committee was established on 31 December 2004 and consists of the following members as at 31 December 2015:

Mr. Yuen Po Kwong	(Independent Non-executive Director and chairman of the Remuneration Committee)
Mr. Jin Yongsheng	(Non-executive Director)
Ms. Yien Yu Yu, Catherine	(Independent Non-executive Director)
Mr. Ma Zhixiang	(Independent Non-executive Director)
Mr. Law Yee Kwan, Quinn	(Independent Non-executive Director)

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, the Vice Chairman and/or the President about their proposals relating to the remuneration of executive directors and senior management 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 2015 is set out below:

Remuneration bands (RMB)	Number of persons
1 to 1,000,000	17
1,000,001 to 2,000,000	4
2,000,001 to 3,000,000	1
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 Statements.

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, the Vice Chairman and/or the President about proposed remuneration of other executive directors. • The Remuneration Committee will consult the Chairman, the Vice Chairman and/or the President 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 2015, the Company's annual report were awarded by independent associations. Please refer to the detail listed in page 52 to 54.

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 submits 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 2015.
• 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 SAP. 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 subsidiary. 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 scorecard 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. • The Group has established the reporting mechanism so as to let the employees and business partners to report to the Board and to the Audit Committee on any violations or improprieties in a strictly confidential manner.

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

The Audit Committee was established on 28 March 2001 and consists of the following members as at 31 December 2015:

Ms. Yien Yu Yu, Catherine	(Independent Non-executive Director and Chairman of the Audit Committee)
Mr. Ma Zhixiang	(Independent Non-executive Director)
Mr. Yuen Po Kwong	(Independent Non-executive Director)
Mr. Law Yee Kwan, Quinn	(Independent Non-executive Director)

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 three 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 2015, 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	RMB4,630,000
Non-audit services fee to Deloitte Touche Tohmatsu	
• Interim result review	RMB1,020,000
Audit services fee paid to other auditors	RMB7,350,000
	RMB13,000,000

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, 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;
3. Nomination Committee; and
4. Risk management committee (established on 9 December 2015).

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, while the Risk Management Committee will commence the work in 2016.

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 four Board Committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management 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 29 May 2015 due to business trip. Alternatively, Mr. Cheung Yip Sang, the Executive Director and Vice Chairman 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	• There was no continuing connected transactions or any other transactions that need to seek for the approval from independent shareholders, and no such general meetings have been held in 2015.
• 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 2015 annual general meeting was sent to shareholders on 10 April 2015, and the annual general meeting was held on 29 May 2015. • 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 the Board Committees by ensuring good information flow and that Board policy and procedures are 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 in 2015. 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.
• 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 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.
• 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 2015, an annual general meeting of the Company will be held on 31 May 2016 and it is currently expected that interim results for the six months ended 30 June 2016 will be announced in August 2016. 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 25 international investors' conferences and 2 post-results international road shows, conducting over 680 meetings in Hong Kong, Mainland China, Japan, Singapore, Europe and the United States with existing shareholders and the investment community in respect of the Group's latest results, prospects and development strategies. In addition, the company also invited investors to visit its citygas projects from time to time which further increased their understanding on the Group's business. The Investor Relations Department maintains an up-to-date distribution list, e-mail notification is sent to investors and analysts in the distribution list when the Company makes important announcement.

The Company also dispatched interim and annual reports to shareholders which provide them with in-depth information on 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 an entrusted PR agency, press conferences, news releases to the media and on the Company's website, enquiries from the media are handled discreetly.

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, 31st Floor, 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 82 to 176, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB million	2014 RMB million
Revenue	7	**32,063**	29,087
Cost of sales		**(25,197)**	(23,018)
Gross profit		**6,866**	6,069
Other income	8	**391**	271
Other gains and losses	9	**(700)**	625
Distribution and selling expenses		**(500)**	(422)
Administrative expenses		**(2,183)**	(1,995)
Share of results of associates		**116**	87
Share of results of joint ventures		**579**	542
Finance costs	10	**(542)**	(430)
Profit before tax	11	**4,027**	4,747
Income tax expense	13	**(1,306)**	(1,127)
Profit for the year		**2,721**	3,620
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**58**	(2)
Other comprehensive income (expense) for the year		**58**	(2)
Total comprehensive income for the year		**2,779**	3,618
Profit for the year attributable to:			
Owners of the Company		**2,036**	2,968
Non-controlling interests		**685**	652
		2,721	3,620
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,094**	2,966
Non-controlling interests		**685**	652
		2,779	3,618

	Notes	2015 RMB	2014 RMB
Earnings per share	15		
– Basic		**1.88**	2.74
– Diluted		**1.88**	2.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015 RMB million**	2014 RMB million
Non-current Assets			
Property, plant and equipment	16	**21,121**	19,441
Prepaid lease payments	17	**1,190**	1,138
Investment properties	18	**114**	83
Goodwill	19	**752**	728
Intangible assets	20	**1,454**	1,265
Interests in associates	21	**1,024**	882
Interests in joint ventures	22	**3,810**	3,436
Available-for-sale financial assets	23	**4,169**	114
Other receivables	24	**27**	18
Amounts due from associates	26	**74**	82
Amounts due from joint ventures	27	**190**	155
Deferred tax assets	29	**582**	422
Deposits paid for investments	30	**26**	18
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		**123**	208
Restricted bank deposits	31	**506**	43
		35,162	28,033
Current Assets			
Inventories	32	**404**	510
Trade and other receivables	24	**3,051**	2,883
Prepaid lease payments	17	**28**	26
Amounts due from customers for contract work	33	**197**	207
Amounts due from associates	26	**156**	57
Amounts due from joint ventures	27	**455**	552
Amounts due from related companies	28	**46**	127
Restricted bank deposits	31	**99**	71
Cash and cash equivalents	34	**7,355**	10,503
		11,791	14,936
Assets classified as held for sale	49	**66**	66
		11,857	15,002

	Notes	**2015 RMB million**	2014 RMB million
Current Liabilities			
Trade and other payables	35	**7,133**	7,262
Amounts due to customers for contract work	33	**2,248**	2,368
Amounts due to associates	26	**66**	89
Amounts due to joint ventures	27	**1,988**	1,413
Amounts due to related companies	36	**400**	239
Taxation payables		**706**	442
Bank and other loans – due within one year	37	**2,600**	1,530
Corporate bonds	41	**498**	–
Convertible bonds at fair value through profit and loss	44	**3,556**	–
Financial guarantee liability	38	**29**	48
Obligations under finance leases		**–**	10
Deferred income	39	**150**	105
		19,374	13,506
Liabilities associated with assets classified as held for sale		**34**	34
		19,408	13,540
Net Current (Liabilities) Assets		**(7,551)**	1,462
Total Assets less Current Liabilities		**27,611**	29,495
Capital and Reserves			
Share capital	40	**113**	113
Reserves		**13,355**	11,985
Equity attributable to owners of the Company		**13,468**	12,098
Non-controlling interests		**2,627**	2,443
Total Equity		**16,095**	14,541
Non-current Liabilities			
Bank and other loans – due after one year	37	**836**	1,476
Corporate bonds	41	**2,489**	498
Senior notes	42	**4,584**	4,522
Medium-term notes	43	**700**	700
Convertible bonds at fair value through profit and loss	44	**–**	3,356
Unsecured bonds	45	**417**	2,418
Deferred tax liabilities	29	**393**	379
Deferred income	39	**2,097**	1,572
Obligations under finance leases		**–**	33
		11,516	14,954
		27,611	29,495

The consolidated financial statements on pages 82 to 176 were approved and authorised for issue by the Board of Directors on 22 March 2016 and are signed on its behalf by:

Wang Yusuo
DIRECTOR

Wang Dongzhi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to owners of the Company										
	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	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2014	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 differences 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 options (Note 46)	–	4	–	(1)	–	–	–	–	3	–	3
Acquisition of business (Note 47)	–	–	–	–	–	–	–	–	–	25	25
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	56	56
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(22)	(22)
Dividends appropriation (Note 14)	–	(414)	–	–	–	–	–	–	(414)	–	(414)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(617)	(617)
Transfer to statutory surplus reserve fund	–	–	–	–	–	541	–	(541)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	3	(3)	–	–	–
At 31 December 2014	113	769	(18)	1	(2)	1,160	44	10,031	12,098	2,443	14,541
Profit for the year	–	–	–	–	–	–	–	2,036	2,036	685	2,721
Other comprehensive income for the year											
– Exchange differences on translating foreign operations	–	–	–	–	58	–	–	–	58	–	58
Profit and total comprehensive income for the year	–	–	–	–	58	–	–	2,036	2,094	685	2,779
Recognition of equity-settled share-based payment	–	–	–	3	–	–	–	–	3	–	3
Share repurchase (Note 40)	–	(16)	–	–	–	–	–	–	(16)	–	(16)
Acquisition of subsidiaries (Notes 47 & 48)	–	–	–	–	–	–	–	–	–	48	48
Acquisition of additional interests in subsidiaries	–	–	(2)	–	–	1	–	(1)	(2)	(24)	(26)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	15	15
Capital withdrawal by non-controlling shareholders	–	–	–	–	–	–	–	–	–	(32)	(32)
Disposal/derecognition of subsidiaries (Note 49)	–	–	–	–	–	–	–	–	–	(6)	(6)
Dividends appropriation (Note 14)	–	(709)	–	–	–	–	–	–	(709)	–	(709)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(502)	(502)
Transfer to statutory surplus reserve fund	–	–	–	–	–	455	–	(455)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	2	(2)	–	–	–
At 31 December 2015	113	44	(20)	4	56	1,616	46	11,609	13,468	2,627	16,095

Notes:

a. The balance represented the difference between the fair values of consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries acquired.

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 2015

	Notes	**2015** **RMB million**	2014 RMB million
OPERATING ACTIVITIES			
Profit before tax		**4,027**	4,747
Adjustments for:			
Share of results of associates		**(116)**	(87)
Share of results of joint ventures		**(579)**	(542)
Exchange differences		**403**	16
Fair value loss (gain) of convertible bonds		**200**	(569)
Impairment loss on trade and other receivables, net		**25**	4
Gain on disposal of property, plant and equipment		**(11)**	(4)
Gain on disposal of prepaid lease payments		**(6)**	(5)
Gain on disposal of an associate		**–**	(13)
Gain on disposal of a joint venture		**–**	(1)
Gain on disposal/derecognition of subsidiaries	49	**(8)**	(53)
Increase in fair value of investment properties		**(26)**	(6)
Depreciation of property, plant and equipment		**956**	738
Amortisation of intangible assets		**87**	79
Release of prepaid lease payments		**40**	26
Share-based payment expenses		**3**	–
Financial guarantee income		**(19)**	(11)
Loss on repurchase of notes and bonds	42 & 45	**61**	–
Bank interest income		**(137)**	(125)
Finance costs		**542**	430
Deferred income released to profit or loss		**(124)**	(90)
		5,318	4,534
Movements in working capital:			
Decrease (increase) in inventories		**108**	(52)
(Increase) decrease in trade and other receivables		**(158)**	149
Decrease (increase) in amounts due from customers for contract work		**10**	(14)
Decrease (increase) in amounts due from associates		**4**	(32)
Decrease in amounts due from joint ventures		**16**	15
Decrease (increase) in amounts due from related companies		**9**	(30)
(Decrease) increase in trade and other payables		**(192)**	1,053
(Decrease) increase in amounts due to customers for contract work		**(120)**	335
Increase in amounts due to joint ventures		**46**	85
(Decrease) increase in amounts due to associates		**(22)**	10
Increase in amounts due to related companies		**210**	167
Cash generated from operations		**5,229**	6,220
PRC enterprise income tax paid		**(1,207)**	(1,137)
Net cash generated from operating activities		**4,022**	5,083

	Notes	2015 RMB million	2014 RMB million
INVESTING ACTIVITIES			
Dividends received from joint ventures		**317**	309
Dividends received from associates		**37**	25
Interest received		**136**	125
Deferred income received		**694**	466
Purchases of property, plant and equipment		**(2,514)**	(2,507)
Increase in prepaid lease payments		**(59)**	(220)
Deposits paid for investments		**(14)**	(11)
Deposits paid for prepaid lease payments		**(9)**	–
Deposits paid for operation rights		**–**	(5)
Deposits paid for acquisition of property, plant and equipment		**(30)**	(64)
Net cash outflow on acquisition of subsidiaries	47 & 48	**(95)**	(1,164)
Net cash (outflow) inflow on disposal/derecognition of subsidiaries	49	**(12)**	214
Proceeds from disposal of an associate		**–**	40
Acquisition of additional interests in an associate		**(3)**	–
Proceeds from disposal of a joint venture		**–**	27
Proceeds from capital released from a joint venture		**17**	18
Purchases of available-for-sale investments		**(4,055)**	–
Amounts advanced to banks and other financial institutions by Xinao Finance Company Limited ("Finance Company")		**(1,830)**	–
Amounts withdrawal from banks and other financial institutions by Finance Company		**1,831**	–
Investments in joint ventures		**(104)**	(229)
Investments in associates		**(45)**	(43)
Acquisition of intangible assets		**(108)**	(11)
Proceeds from disposal of property, plant and equipment		**132**	54
Proceeds from disposal of prepaid lease payments		**11**	19
Addition of restricted bank deposits		**(553)**	(61)
Release of restricted bank deposits		**62**	217
Amounts advanced to associates		**(106)**	(30)
Amounts repaid by associates		**11**	65
Amounts advanced to joint ventures		**(185)**	(144)
Amounts repaid by joint ventures		**234**	250
Amounts advanced to related companies		**(1)**	(74)
Amounts repaid by related companies		**73**	2
Net cash used in investing activities		**(6,168)**	(2,732)

	2015 RMB million	2014 RMB million
FINANCING ACTIVITIES		
Interest paid	**(624)**	(477)
Net proceeds from shares issued on exercise of share options	**–**	3
Repurchase of shares	**(16)**	–
Proceeds from issuance of corporate bonds	**2,489**	–
Proceeds used in repurchase of senior notes	**(247)**	–
Proceeds used in repurchase of unsecured bonds	**(2,179)**	–
Proceeds from issuance of unsecured bonds	**–**	2,460
Transaction costs incurred for issue of convertible bonds	**–**	(31)
Contribution from non-controlling shareholders	**15**	56
Acquisition of additional interests in subsidiaries	**(26)**	–
Capital withdrawal by non-controlling shareholders	**(32)**	–
Dividends paid to non-controlling shareholders	**(502)**	(617)
Dividends paid to shareholders	**(709)**	(414)
New bank loans raised	**5,226**	2,356
Repayment of bank loans	**(4,892)**	(2,185)
Amounts advanced from associates	**12**	1
Amounts repaid to associates	**(13)**	(10)
Amounts advanced from joint ventures	**695**	485
Amounts repaid to joint ventures	**(166)**	(344)
Amounts advanced from related companies	**6**	57
Amounts repaid to related companies	**(55)**	(3)
Net cash (used in) generated from financing activities	**(1,018)**	1,337
Net (decrease) increase in cash and cash equivalents	**(3,164)**	3,688
Effect of foreign exchange rate changes	**16**	(7)
Cash and cash equivalents at the beginning of the year	**10,503**	6,822
Cash and cash equivalents at the end of the year	**7,355**	10,503

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 ("RMB"), 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. Basis of Preparation of Consolidated Financial Statements

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration of the Group in light of its net current liabilities of approximately RMB7,551 million as at 31 December 2015. At the date of approval of the consolidated financial statements, the Group has unutilised credit facilities of approximately RMB8,299 million, of which approximately RMB5,100 million are subject to renewal within twelve months from the end of the reporting period. The corporate bonds of approximately RMB498 million and the convertible bonds at fair value through profit and loss of approximately RMB3,556 million will be reclassified as non-current liabilities in February 2016 (Note 41 and 44). So the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

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

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

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

2 Effective for annual periods beginning on or after a date to be determined

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

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

3. 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 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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 collecting 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 39. 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 Company anticipates that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's available-for-sale financial assets which are currently stated at cost less impairment and will be measured at fair value upon adoption as well as the impairment of financial assets will be provided on expected credit loss model to reflect changes in credit risk since initial recognition. Presently, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. 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 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 Company is in the process of reviewing the effect of the application of HKFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements.

4. 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 ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 at the end of each reporting period, 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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

4. Significant Accounting Policies *(continued)*

Basis of preparation *(continued)*

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.

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.

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.

4. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

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 recognised 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.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. Significant Accounting Policies *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at 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.

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.

4. Significant Accounting Policies *(continued)*

Interests in associates and joint ventures *(continued)*

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 of disposal) 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.

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 HKAS 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.

4. Significant Accounting Policies *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided 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.

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).

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.

4. Significant Accounting Policies *(continued)*

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.

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.

4. Significant Accounting Policies *(continued)*

Leasing *(continued)*

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 exchange reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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.

4. Significant Accounting Policies *(continued)*

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 income 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, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefit

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in Note 46.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). Vesting conditions, other than market condition, shall not be taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions, i.e. a specified service period with or without a performance target, shall be taken into account in estimating the number of equity instrument that will ultimately vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When 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.

4. 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.

4. Significant Accounting Policies *(continued)*

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.

Depreciation is recognised so as to write off the costs or deemed cost 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.

4. Significant Accounting Policies *(continued)*

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.

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 of disposal 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.

4. 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 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.

4. 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 loss 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.

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, corporate bonds, medium-term notes, senior notes and unsecured bonds) are subsequently measured at amortised cost using the effective interest method.

4. 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. Amount initially recognised is amortised over the duration of the guarantee using the straight line method.

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 including the convertible option, which will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, 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 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 consideration received and receivable 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.

5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, 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. As at 31 December 2015, the carrying amount of property, plant and equipment less accumulated depreciation and accumulated impairment losses is RMB21,121 million (2014: RMB19,441 million).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount cash-generating units to which goodwill has been allocated which is the higher of fair value less cost of disposal and its value in use. 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. As at 31 December 2015, the carrying amount of goodwill less impairment losses is RMB752 million (2014: RMB728 million). Details of the calculation of the recoverable amount are set out in Note 19.

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires the estimation of the recoverable amount of the cash-generating units to which intangible assets have been allocated which is the higher of the fair value less cost of disposal and its value in use. 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. As at 31 December 2015, the carrying amount of intangible assets less accumulated amortisation is RMB1,454 million (2014: RMB1,265 million).

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 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 2015, the carrying amount of trade and other receivables after deducting the impairment recognised are set out in Note 24.

6. 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 37, 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. During the year ended 31 December 2015, the Group repurchased certain senior notes and unsecured bonds in order to better manage its risk exposure in foreign currencies. The net gearing ratio at the end of the reporting period was as follows:

	2015 **RMB million**	2014 RMB million
Bank and other loans	**3,436**	3,006
Corporate bonds	**2,987**	498
Senior notes	**4,584**	4,522
Medium-term notes	**700**	700
Convertible bonds at fair value through profit and loss	**3,556**	3,356
Unsecured bonds	**417**	2,418
	15,680	14,500
Less: Cash and cash equivalents	**(7,355)**	(10,503)
Net debt	**8,325**	3,997
Total equity	**16,095**	14,541

	2015 **%**	2014 %
Net debt to total equity ratio	**51.7**	27.5

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:

	2015 **RMB million**	2014 RMB million
Financial assets		
Available-for-sale financial assets	**4,169**	114
Loans and receivables (including cash and cash equivalents)	**10,503**	13,085
Financial liabilities		
Financial liabilities at fair value through profit or loss	**3,556**	3,356
Financial liabilities at amortised cost	**17,322**	15,971
Financial guarantee liability	**29**	48

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

c. Financial risk management objectives and policies

The Group's major financial instruments include 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 bonds, 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, interest rate risk and other price risk), credit risk and liquidity 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 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	
	2015	2014	**2015**	2014
	RMB million	RMB million	**RMB million**	RMB million
Foreign currency:				
USD	**279**	2,318	**9,293**	11,285
Hong Kong Dollar ("HK$")	**3**	24	**–**	–

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	
	2015	2014	**2015**	2014
	%	%	**%**	%
Possible change in exchange rate	**5**	5	**5**	5

	2015	2014	**2015**	2014
	RMB million	RMB million	**RMB million**	RMB million
(Decrease) increase in profit after taxation for the year:				
– if RMB weakens against foreign currencies	**(454)**	(448)	**–**	1
– if RMB strengthens against foreign currencies	**454**	448	**–**	(1)

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

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

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.

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 bonds, senior notes, medium-term notes and unsecured bonds (see Notes 26, 27, 37, 41, 42, 43 and 45 for details of these amounts, loans, 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 37 for details of these amounts). The Directors consider that the Group is not exposed to significant cash flow interest rate risk relating to bank deposits which are primarily short term in nature and carry basically stable market interest rates.

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

	2015 **%**	2014 %
Reasonably possible change in interest rate	**25 basis points**	75 basis points

	2015 **RMB million**	2014 RMB million
(Decrease) increase in profit after taxation for the year		
– as a result of increase in interest rate	**(4)**	(19)
– as a result of decrease in interest rate	**4**	19

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

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

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

Other price risk

The Group is exposed to price risk through the convertible bonds issued 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 specific measurements to mitigate the price risk. The convertible bonds will be ultimately redeemed at 102.53 per cent of their principal amount 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 losses or gains of RMB178 million (2014: RMB168 million) respectively in profit or loss.

Credit risk management

As at 31 December 2015, 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 38.

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.

During the year ended 31 December 2015, Finance Company starts to participate into transactions on the inter-bank markets as approved by China Banking Regulatory Commission. The inter-bank market refers to the money lending market between banks and other qualified financial institutions, which market is organised by National Association of Financial Market Institutional Investors. Accordingly, the Group's exposure to credit risk also incurred from the amount advanced by Finance Company to the banks and other financial institutions through inter-bank market in PRC. Those advances are held for short-term and earning interest income based on prevailing interest rate on the inter-bank market. As at 31 December 2015, the carrying amount of advances due from banks and other financial institutions was nil (2014: nil).

The credit risk on liquid funds is limited because the counterparties are reputational international and PRC banks and other financial institutions with high credit-ratings assigned by international credit-rating agencies or regulated by the 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% of the trade receivables at 31 December 2015 and 2014.

6. 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	Within the second year	Within the third year	Within the fourth year	Within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount at end of the reporting period
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2015									
Trade and other payables		**2,751**	**–**	**–**	**–**	**–**	**–**	**2,751**	**2,751**
Amounts due to associates	**0.35**	**64**	**–**	**–**	**–**	**–**	**–**	**64**	**64**
Amounts due to joint ventures	**0.35-6.15**	**1,967**	**22**	**–**	**–**	**–**	**–**	**1,989**	**1,982**
Amounts due to related companies		**400**	**–**	**–**	**–**	**–**	**–**	**400**	**400**
Bank and other loans									
– fixed rate	**4.47**	**1,419**	**–**	**–**	**–**	**–**	**–**	**1,419**	**1,391**
– variable rate	**4.69**	**1,277**	**384**	**261**	**151**	**92**	**–**	**2,165**	**2,045**
Medium-term notes	**5.55**	**39**	**739**	**–**	**–**	**–**	**–**	**778**	**700**
Corporate bonds	**3.68/6.45**	**624**	**124**	**2,592**	**–**	**–**	**–**	**3,340**	**2,987**
Senior notes	**6.00**	**279**	**279**	**279**	**279**	**279**	**5,016**	**6,411**	**4,584**
Unsecured bonds	**3.25**	**14**	**14**	**14**	**435**	**–**	**–**	**477**	**417**
Convertible bonds		**3,296**	**–**	**–**	**–**	**–**	**–**	**3,296**	**3,556**
Financial guarantee contracts		**320**	**–**	**–**	**–**	**–**	**–**	**320**	**29**
		12,450	**1,562**	**3,146**	**865**	**371**	**5,016**	**23,410**	**20,906**
At 31 December 2014									
Trade and other payables		3,131	–	–	–	–	–	3,131	3,131
Amounts due to associates	0.35	69	–	–	–	–	–	69	69
Amounts due to joint ventures	0.35-6.16	1,330	1	22	–	–	–	1,353	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 bonds	6.45	32	532	–	–	–	–	564	498
Senior notes	6.00	275	275	275	275	275	5,002	6,377	4,522
Unsecured bonds	3.25	80	80	80	80	2,527	–	2,847	2,418
Convertible bonds		–	3,106	–	–	–	–	3,106	3,356
Obligations under finance leases		11	10	10	10	5	–	46	43
Financial guarantee contracts		466	–	–	–	–	–	466	48
		7,306	4,514	1,622	738	3,000	5,115	22,295	19,375

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

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

Liquidity risk management (continued)

The amounts for convertible bonds and corporate bonds are the payment made by the Group assuming these bonds to be redeemed when on the bondholders' put options exercised. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no bondholder will exercise the put options. As expected, the bondholders' put options embedded in the convertible bonds and the corporate bonds amounting to RMB498 million have been lapsed in February 2016 (Notes 41 and 44).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. 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, these estimates are subject to change depending on the probability of the counterparties 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:

	2015		2014	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees issued to banks to secure loan facilities granted to an associate and joint ventures	**320**	**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**
	2015	2014		
	RMB million	RMB million		
Financial liabilities				
Convertible bonds	**3,556**	3,356	Level 2	Fair values are derived from quoted prices in an over-the-counter market

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:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB million	**RMB million**	RMB million	RMB million
Fixed-rate bank loans	**1,391**	**1,390**	570	568
Senior notes	**4,584**	**5,071**	4,522	5,130
Unsecured bonds	**417**	**418**	2,418	2,410
Medium-term notes	**700**	**710**	700	699
Corporate bonds	**2,987**	**3,023**	498	504

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

d. Fair value measurement of financial instruments *(continued)*

In the above table, other than the fair values of the senior notes and unsecured bonds 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 and unsecured bonds 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.

7. Revenue

	2015 RMB million	2014 RMB million
Revenue comprises the following:		
Sales of goods		
Sales of piped gas	**18,680**	17,485
Vehicle gas refuelling stations	**3,931**	3,849
Wholesale of gas	**3,429**	2,898
Sales of other energy	**83**	54
Sales of gas appliances	**138**	110
Sales of material	**294**	288
	26,555	24,684
Provision of service		
Gas connection	**5,508**	4,403
	32,063	29,087

8. Other Income

	2015 RMB million	2014 RMB million
Other income includes:		
Incentive subsidies (note)	**174**	79
Bank interest income	**137**	125
Financial guarantee income	**19**	11
Rental income from equipment, net	**14**	10

Note: The amount mainly represents refunds of various taxes as incentives and other incentives related to the Group's operation by the government authorities in various cities of the PRC.

9. Other Gains and Losses

	2015 **RMB million**	2014 RMB million
Impairment loss on trade and other receivables, net (Note 24)	**(25)**	(4)
Gain on disposal of:		
– Property, plant and equipment	**11**	4
– Prepaid lease payments	**6**	5
– Interests in an associate (note a)	**–**	13
– Interests in a joint venture	**–**	1
Gain on disposal/derecognition of subsidiaries (Note 49)	**8**	53
Increase in fair value of investment properties (Note 18)	**26**	6
Loss on repurchase of notes and bonds (Notes 42 & 45)	**(61)**	–
Fair value (loss) gain of convertible bonds (Note 44)	**(200)**	569
Loss on foreign exchange, net (note b)	**(465)**	(22)
	(700)	625

Notes:

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

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

10. Finance Costs

	2015 **RMB million**	2014 RMB million
Interest on:		
Bank and other loans	**181**	137
Medium-term notes	**39**	39
Senior notes	**276**	277
Corporate bonds	**35**	32
Unsecured bonds	**68**	16
	599	501
Less: Amount capitalised under construction in progress (note)	**(57)**	(71)
	542	430

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 2015, the borrowing cost capitalised arose from the pool of general borrowing calculated by applying a capitalisation rate of 3.82% (2014: 3.98%) per annum to expenditure on qualifying assets.

11. Profit Before Tax

	2015 RMB million	2014 RMB million
Profit before tax has been arrived at after (crediting) charging:		
Share-based payment expenses, including directors' emoluments (included in administrative expenses)	**3**	–
Other staff costs, including directors' emoluments	**2,003**	1,717
Less: Amount of other staff costs capitalised under construction in progress	**(48)**	(44)
	1,958	1,673
Depreciation and amortisation:		
Property, plant and equipment	**956**	738
Intangible assets	**87**	79
Total depreciation and amortisation (note)	**1,043**	817
Release of prepaid lease payments	**40**	26
Auditors' remuneration	**13**	12
Minimum lease payments under operating leases in respect of premises and equipment recognised in profit or loss	**110**	88

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

	2015 RMB million	2014 RMB million
Depreciation and amortisation included in:		
Cost of sales	**860**	653
Administrative expenses	**183**	164
	1,043	817

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

a. Directors' emoluments

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

	2015					
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**
Executive Directors: (note a)						
Wang Yusuo	–	2,496	–	192	–	2,688
Cheung Yip Sang	–	1,537	–	176	–	1,713
Han Jishen	–	1,438	1,504	139	80	3,161
Wang Dongzhi	–	960	–	126	81	1,167
Yu Jianchao	–	576	–	80	–	656
Sub-total	–	7,007	1,504	713	161	9,385
Non-Executive Directors: (note b)						
Wang Zizheng	200	–	–	20	–	220
Jin Yongsheng	200	–	–	47	–	247
Lim Haw Kuang	207	–	–	20	–	227
Sub-total	607	–	–	87	–	694
Independent Non-executive Directors: (note c)						
Wang Guangtian*	93	–	–	–	–	93
Yien Yu Yu, Catherine	207	–	–	20	–	227
Ma Zhixiang	200	–	–	20	–	220
Yuen Po Kwong	200	–	–	20	–	220
Law Yee Kwan, Quinn	200	–	–	20	–	220
Sub-total	900	–	–	80	–	980
Total	1,507	7,007	1,504	880	161	11,059

* Mr. Wang Guangtian retired from office as director of the Company on 29 May 2015.

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

a. Directors' emoluments *(continued)*

	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
Executive Directors: (note a)						
Wang Yusuo	–	2,472	–	–	–	2,472
Cheung Yip Sang	–	1,600	46	–	71	1,717
Zhao Jinfeng*	–	237	–	–	–	237
Han Jishen	–	1,380	1,654	–	64	3,098
Zhao Shengli*	–	53	–	–	73	126
Wang Dongzhi	–	960	63	–	64	1,087
Yu Jianchao	–	571	–	–	–	571
Sub-total	–	7,273	1,763	–	272	9,308
Non-Executive Directors: (note b)						
Zhao Baoju*	47	–	–	–	–	47
Wang Zizheng**	150	–	–	–	–	150
Jin Yongsheng	200	–	–	–	–	200
Lim Haw Kuang***	200	–	–	–	–	200
Sub-total	597	–	–	–	–	597
Independent Non-executive Directors: (note c)						
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
Law Yee Kwan, Quinn**	116	–	–	–	–	116
Sub-total	943	–	–	–	–	943
Total	1,540	7,273	1,763	–	272	10,848

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

a. Directors' emoluments *(continued)*

* Ms. Zhao Baoju, Mr. Zhao Shengli and Mr. Zhang Gang retired 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 have 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.

*** Mr. Lim Haw Kuang has been redesignated from an independent non-executive director to a non-executive director on 24 March 2014.

Notes:

a. The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

b. The non-executive director's emoluments shown above were mainly for their services as directors of the Company.

c. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The amounts disclosed above include directors' fees of RMB900,000 (2014: RMB943,000) paid or 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 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 2015 and 2014 were all Directors and details of their emoluments are included in Note 12 (a) above.

13. Income Tax Expense

	2015 RMB million	2014 RMB million
PRC Enterprise Income Tax:		
Current tax	**1,295**	1,148
Underprovision in prior years	**7**	33
Withholding tax	**169**	79
	1,471	1,260
Deferred tax (Note 29):		
Current year	**(165)**	(133)
	1,306	1,127

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:

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

14. Dividends

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

Notes:

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

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

15. 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:

Basic earnings per share

Basic earnings per share for the years ended 31 December 2015 and 2014 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

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

Diluted earnings per share

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

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

	2015	2014
Earnings		
Earnings for the purpose of basic earnings per share (RMB million)	**2,036**	2,968
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)	**2,036**	2,399
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,082,704,602**	1,082,957,918
Effect of dilutive potential ordinary shares:		
– share options issued by the Company	**257,911**	347,023
– convertible bonds	**–**	79,778,897
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,082,962,513**	1,163,083,838
Diluted earnings per share (RMB per share)	**1.88**	2.06

16. 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							
At 1 January 2014	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)
At 31 December 2014	2,899	14,780	1,428	542	1,041	2,315	23,005
Exchange adjustments	8	–	9	4	1	8	30
Acquisition of subsidiaries	47	41	7	1	1	14	111
Additions	108	11	141	30	98	2,316	2,704
Transfer from investment property	8	–	–	–	–	–	8
Reclassification	314	1,956	116	–	49	(2,435)	–
Transfer to investment property	(17)	–	–	–	–	–	(17)
Disposal of subsidiaries	–	(18)	–	(1)	(2)	(17)	(38)
Disposals	(24)	(161)	(19)	(107)	(11)	–	(322)
At 31 December 2015	3,343	16,609	1,682	469	1,177	2,201	25,481
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	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)
At 31 December 2014	304	2,174	337	224	519	6	3,564
Exchange adjustments	1	–	1	1	–	–	3
Provided for the year	95	575	124	65	97	–	956
Transfer to investment property	(4)	–	–	–	–	–	(4)
Eliminated on disposal of subsidiaries	–	(1)	–	–	–	–	(1)
Eliminated on disposals	(6)	(71)	(21)	(51)	(9)	–	(158)
At 31 December 2015	390	2,677	441	239	607	6	4,360
CARRYING VALUES							
At 31 December 2015	2,953	13,932	1,241	230	570	2,195	21,121
At 31 December 2014	2,595	12,606	1,091	318	522	2,309	19,441

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 RMB41 million (2014: RMB42 million) which are located in Hong Kong under long-term 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 RMB566 million (2014: RMB442 million).

17. Prepaid Lease Payments

	2015 RMB million	2014 RMB million
The Group's prepaid lease payments comprise land in the PRC under medium-term lease	**1,218**	1,164
Analysed for reporting purposes as:		
Current portion	**28**	26
Non-current portion	**1,190**	1,138

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 RMB121 million (2014: RMB162 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.

18. Investment Properties

	RMB million
FAIR VALUE	
At 1 January 2014	76
Net increase in fair value recognised in profit or loss	6
Disposal	1
At 31 December 2014	83
Net increase in fair value recognised in profit or loss	26
Transfers from property, plant and equipment	13
Transfers to property, plant and equipment	(8)
At 31 December 2015	114
Unrealised gains on property revaluation included in profit or loss, as at 31 December 2015	61

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 lease.

The fair value of the Group's investment properties at 31 December 2015 and 2014 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty, a firm of independent valuers. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. The Group's investment properties were classified in the Level 3 of fair values as at 31 December 2015 and 2014.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

19. Goodwill

	2015 RMB million	2014 RMB million
COST		
At 1 January	**779**	257
Arising on acquisition of businesses (Note 47)	**–**	537
Eliminated on disposal of a subsidiary (Note 51)	**–**	(15)
Exchange adjustments	**24**	–
At 31 December	**803**	779
IMPAIRMENT		
At 1 January and 31 December	**(51)**	(51)
CARRYING VALUES		
At 31 December	**752**	728

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 value of goodwill mainly represents goodwill arising from the acquisition of:

	2015 RMB million	2014 RMB million
Gas refuelling business located in the United States	**517**	487
Gas refuelling business located in Canada	**44**	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
Other CGUs	**99**	99
	752	728

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 (2014: 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 of revenue for each CGU ranging from 4.07% to 14.34% (2014: 2.4% to 25.0%) 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 the discount rate to be from 11% to 13% (2014: 10% to 13%).

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.

20. Intangible Assets

	Rights of operation RMB million	Customer base RMB million	Total RMB million
COST			
At 1 January 2014	1,528	50	1,578
Arising on acquisition of subsidiaries (Notes 47 & 48)	39	–	39
Additions	11	–	11
At 31 December 2014	1,578	50	1,628
Arising on acquisition of subsidiaries (Notes 47 & 48)	168	–	168
Additions	108	–	108
At 31 December 2015	1,854	50	1,904
AMORTISATION			
At 1 January 2014	271	13	284
Charge for the year	78	1	79
At 31 December 2014	349	14	363
Charge for the year	85	2	87
At 31 December 2015	434	16	450
CARRYING VALUES			
At 31 December 2015	1,420	34	1,454
At 31 December 2014	1,229	36	1,265

Note: Rights of operation and customer base are amortised on a straight-line method over the operation periods ranging from 8 to 50 years and from 15 to 50 years, respectively.

21. Interests in Associates

	2015 RMB million	2014 RMB million
Cost of investment in associates		
Listed	**44**	44
Unlisted	**715**	654
Share of post-acquisition profits, net of dividend received	**239**	158
	998	856
Deemed capital contribution		
Financial guarantee	**26**	26
	1,024	882

Included in the interests in associates is goodwill of approximately RMB49 million (2014: RMB49 million) arising on acquisitions of associates. There are no change in goodwill during the year ended 31 December 2015 and 2014.

21. Interests in Associates *(continued)*

Details of the Group's principal associates as at 31 December 2015 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 2015	2014	Principal activities
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
江蘇大通管輸天然氣有限公司 (Jiangsu Datong Piped Gas Company Limited) ("Jiangsu Datong")	Incorporated	The PRC	**51%**	51%	Design, construction, and operation of piped gas

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. As one of the four shareholders, the Group holds 51% interest in Jiangsu Datong. Pursuant to the articles of association of Jiangsu Datong, the Group is unable to control Jiangsu Datong because four of seven directors are appointed from the Group and resolutions for the financial and operating activities of Jiangsu Datong can only be passed with a two-third majority.

c. The above associates 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 material associates

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

The associates are accounted for using the equity method in these consolidated financial statements.

Xinneng Energy

	2015 RMB million	2014 RMB million
Current assets	**1,832**	1,001
Non-current assets	**2,337**	2,318
Current liabilities	**1,484**	1,065
Non-current liabilities	**619**	524

	2015 RMB million	2014 RMB million
Revenue	**1,313**	1,338
Profit and total comprehensive income for the year	**336**	381

21. Interests in Associates *(continued)*

Summarised financial information of material associates *(continued)*

Xinneng Energy (continued)

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:

	2015 RMB million	2014 RMB million
Net assets of Xinneng Energy	**2,066**	1,730
Proportion of the Group's ownership interest in Xinneng Energy and carrying amount of the Group's interest in Xinneng Energy	**310**	260

Jiangsu Datong

	2015 RMB million	2014 RMB million
Current assets	**32**	25
Non-current assets	**243**	251
Current liabilities	**127**	48
Non-current liabilities	**–**	95

	2015 RMB million	2014 RMB million
Revenue	**240**	234
Profit and total comprehensive income for the year	**23**	23
Dividends received from Jiangsu Datong during the year	**4**	–

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

	2015 RMB million	2014 RMB million
Net assets of Datong during	**148**	133
Proportion of the Group's ownership interest in Jiangsu Datong and carrying amount of the Group's interest in Jiangsu Datong	**76**	68
Capitalisation of financial guarantee	**26**	26
Carrying amount of the Group's interest in Jiangsu Datong	**102**	94

21. Interests in Associates *(continued)*

Summarised financial information of material associates *(continued)*

Jiangsu Datong (continued)

Aggregate information of associates that are not individually material:

	2015 RMB million	2014 RMB million
Profit and total comprehensive income for the year	**193**	69
Group's share of profit and total income from associates for the year	**54**	19
Aggregate carrying amount of the Group's interests in these associates	**612**	528

22. Interests in Joint Ventures

	2015 RMB million	2014 RMB million
Cost of unlisted investments	**2,139**	2,024
Shares of post-acquisition profits, net of dividends received	**1,614**	1,353
	3,753	3,377
Deemed capital contribution		
Financial guarantee	**53**	53
Fair value adjustments on interest-free advances	**4**	6
	57	59
	3,810	3,436

Included in the interests in joint ventures is goodwill of approximately RMB192 million (2014: 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 4.75% (2014: 6.00%) per annum and average terms of two years.

Details of the Group's principal joint ventures as at 31 December 2015 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 2015	2014	Principal activities
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

22. 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 sufficient number of 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 these consolidated financial statements.

Changsha Xinao

	2015 RMB million	2014 RMB million
Current assets	**1,140**	834
Non-current assets	**233**	240
Current liabilities	**641**	578

The above amounts of assets and liabilities include the following:

	2015 RMB million	2014 RMB million
Cash and cash equivalents	**87**	119
Current financial liabilities (excluding trade and other payables and provisions)	**50**	–

	2015 RMB million	2014 RMB million
Revenue	**2,281**	2,050
Profit and total comprehensive income for the year	**278**	176
Dividends received from Changsha Xinao during the year	**6**	45

The above profit for the year include the following:

	2015 RMB million	2014 RMB million
Depreciation and amortisation	**8**	5
Interest income	**32**	1
Interest expense	**5**	8
Income tax expense	**93**	41

22. 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:

	2015 **RMB million**	2014 RMB million
Net assets of Changsha Xinao	**732**	496
Proportion of the Group's ownership interest in Changsha Xinao	**403**	273
Capitalisation of financial guarantee	**4**	4
Carrying amount of the Group's interest in Changsha Xinao	**407**	277

Dongguan Xinao

	2015 **RMB million**	2014 RMB million
Current assets	**869**	740
Non-current assets	**2,455**	2,325
Current liabilities	**1,389**	1,182
Non-current liabilities	**3**	190
Non-controlling interests	**142**	129

The above amounts of assets and liabilities include the following:

	2015 **RMB million**	2014 RMB million
Cash and cash equivalents	**408**	445
Current financial liabilities (excluding trade and other payables and provisions)	**384**	383
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	187

	2015 **RMB million**	2014 RMB million
Revenue	**3,104**	3,361
Profit and total comprehensive income for the year	**429**	403
Dividends received from Dongguan Xinao during the year	**111**	124

22. 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:

	2015 RMB million	2014 RMB million
Depreciation and amortisation	80	77
Interest income	6	4
Interest expense	29	43
Income tax expense	149	148

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

	2015 RMB million	2014 RMB million
Net assets of Dongguan Xinao	1,790	1,564
Proportion of the Group's ownership interest in Dongguan Xinao	985	860
Goodwill	31	31
Carrying amount of the Group's interest in Dongguan Xinao	1,016	891

Yantai Xinao

	2015 RMB million	2014 RMB million
Current assets	539	363
Non-current assets	700	614
Current liabilities	505	410
Non-current liabilities	126	2

The above amounts of assets and liabilities include the following:

	2015 RMB million	2014 RMB million
Cash and cash equivalents	426	256
Non-current financial liabilities (excluding trade and other payables and provisions)	129	1

	2015 RMB million	2014 RMB million
Revenue	1,070	1,022
Profit and total comprehensive income for the year	122	109
Dividends received from Yantai Xinao during the year	40	36

22. Interests in Joint Ventures *(continued)*

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

Yantai Xinao (continued)

The above profit for the year include the following:

	2015 **RMB million**	2014 RMB million
Depreciation and amortisation	**28**	29
Interest income	**4**	2
Interest expense	**7**	–
Income tax expense	**41**	36

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

	2015 **RMB million**	2014 RMB million
Net assets of Yantai Xinao	**608**	565
Proportion of the Group's ownership interest in Yantai Xinao	**304**	283
Goodwill	**8**	8
Capitalisation of financial guarantee	**1**	1
Carrying amount of the Group's interest in Yantai Xinao	**313**	292

Aggregate information of joint ventures that are not individually material:

	2015 **RMB million**	2014 RMB million
The Group's share of profit and total comprehensive income	**129**	168

23. Available-for-Sale Financial Assets

	2015 **RMB million**	2014 RMB million
Unlisted equity securities, at cost less impairment		
1.13% equity interest in Sinopec Marketing Co., Ltd	**4,003**	–
Other unlisted equity securities	**166**	114
	4,169	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.

24. Trade and Other Receivables

	2015 RMB million	2014 RMB million
Trade receivables	1,182	953
Less: Impairment	(86)	(60)
	1,096	893
Other receivables		
Current	746	730
Non-current (note a)	27	18
	773	748
Less: Impairment	(9)	(10)
	764	738
Notes receivable (note b)	333	278
Advances to suppliers and prepayments	885	992
Total trade and other receivables	3,078	2,901
Analysed for reporting purpose as:		
Current portion	3,051	2,883
Non-current portion	27	18

Notes:

a. The non-current balances represent advances to non-controlling shareholders of certain subsidiaries of the Company. The balances 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 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:

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

24. 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:

	2015 **RMB million**	2014 RMB million
Within three months	**264**	245
4 to 6 months	**69**	33
	333	278

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 receivables balances are debtors with aggregate carrying amount of approximately RMB171 million (2014: RMB265 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 181 days (2014: 123 days).

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

Except for certain trade receivables past due beyond one year, which the Group has fully provided for all receivables over one year because these receivables which are past due beyond one year are generally not recoverable based on historical experience, 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.

	2015 **RMB million**	2014 RMB million
Past due within one year	**171**	265

Movements in the impairment on trade receivables

	2015 **RMB million**	2014 RMB million
Balance at beginning of the year	**60**	52
Impairment losses recognised	**48**	24
Amounts recovered during the year	**(22)**	(16)
Balance at end of the year	**86**	60

The Group's 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

	2015 **RMB million**	2014 RMB million
Balance at beginning of the year	**10**	14
Amounts recovered during the year	**(1)**	(4)
Balance at end of the year	**9**	10

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 companies controlled by non-controlling interests or with satisfactory repayment history.

25. Transfer of Financial Assets

The following were the Group's financial assets as at 31 December 2015 and 2014 that were transferred to banks or suppliers by discounting or endorsement 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.

At 31 December 2015

	Bills receivable discounted to banks RMB million	**Bills receivable endorsed to suppliers RMB million**	**Total RMB million**
Carrying amount of transferred assets	–	238	238
Carrying amount of associated liabilities	–	(238)	(238)
	–	–	–

At 31 December 2014

	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)
	–	–	–

26. Amounts Due from/to Associates

	2015 RMB million	2014 RMB million
Amounts due from associates:		
Current portion	**156**	57
Non-current portion	**74**	82
	230	139
Amounts due to associates	**66**	89

Included in the amounts due from/to associates are trade receivables amounting to approximately RMB74 million (2014: RMB76 million) and trade payables amounting to approximately RMB10 million (2014: RMB24 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:

	2015 RMB million	2014 RMB million
Trade receivables due from associates		
Within three months	**18**	33
4 to 6 months	**10**	7
7 to 9 months	**4**	8
10 to 12 months	**2**	9
More than one year	**40**	19
	74	76

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

	2015 RMB million	2014 RMB million
Trade payables due to associates		
Within three months	**8**	10
7 to 9 months	**2**	–
10 to 12 months	**–**	1
Over one year	**–**	13
	10	24

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 amounts due from/to associates detailed in the following table.

At 31 December 2015

	Maturity date	Effective interest rate per annum	2015 RMB million
Loan receivables from associates			
Secured	30/06/2016-14/12/2016	4.35%-5.34%	**36**
Unsecured	26/02/2016-29/11/2016	4.35%-5.61%	**86**
			122
Loan payables to associates			
Savings (note)		0.35%-1.55%	**42**

At 31 December 2014

	Maturity date	Effective interest rate per annum	2014 RMB million
Loan receivables 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 to associates			
Savings (note)		0.35%	63

Note: The balances represent the current saving in Finance Company, a subsidiary of the Company.

The interest-free amounts due from associates amounting to RMB72 million that the Group expects to recover after one year from the end of the reporting period are initially recognised at fair value calculated by using an effective interest rate at 4.75% (2014: 6.00%) 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.

27. Amounts Due from/to Joint Ventures

	2015 RMB million	2014 RMB million
Amounts due from joint ventures:		
Current portion	**455**	552
Non-current portion	**190**	155
	645	707
Amounts due to joint ventures	**1,988**	1,413

Included in the amounts due from joint ventures was approximately RMB100 million (2014: RMB117 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.

Included in the amounts due from/to joint ventures are trade receivables amounting to approximately RMB210 million (2014: RMB225 million) and trade payables amounting to approximately RMB98 million (2014: RMB206 million) and the aged analysis presented based on invoice date, which approximated the respective revenue recognition date, is as follows:

	2015 RMB million	2014 RMB million
Trade receivables due from joint ventures		
Within three months	**129**	139
4 to 6 months	**10**	3
7 to 9 months	**7**	34
10 to 12 months	**1**	1
More than one year	**63**	48
	210	225
Trade payables due to joint ventures		
Within three months	**59**	157
4 to 6 months	**12**	–
7 to 9 months	**2**	4
More than one year	**25**	45
	98	206

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

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 amounts due from/to joint ventures detailed in the following table.

At 31 December 2015

	Maturity date	Effective interest rate per annum	2015 RMB million
Loan receivables from joint ventures			
Unsecured	13/01/2016-28/12/2018	4.35%-8%	**385**
Loan payables to joint ventures			
Unsecured	28/5/2016-14/7/2017	0.35%-6.15%	**958**
Saving in the Finance Company		0.35%-1.55%	**618**
			1,576

At 31 December 2014

	Maturity date	Effective interest rate per annum	2014 RMB million
Loan receivables from joint ventures			
Secured	26/05/2015-27/07/2017	6.6%-7%	70
Unsecured	04/01/2015-30/06/2015	6%-6.6%	212
			282
Loan payables to joint ventures			
Unsecured	24/02/2015-14/07/2017	6%-6.15%	155
Saving in the Finance Company		0.35%-2.85%	466
			621

The interest-free amounts due from joint ventures amounting to RMB44 million that the Group expects to recover after one year from the end of the reporting period are initially recognised at fair value calculated by using an effective interest rate at 4.75% (2014: 6.00%) 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.

28. Amounts Due from Related Companies

	2015 RMB million	2014 RMB million
Amounts due from companies controlled by a director and shareholder of the Company with significant influence	**46**	127

The related companies are controlled by Mr. Wang Yusuo ("Mr. Wang") who is a director and shareholder of the Company with significant influence. The maximum amount outstanding during the year in respect of the amounts due from companies controlled by Mr. Wang is RMB220 million (2014: RMB127 million).

The amounts due from related companies were unsecured, interest-free and repayable on demand except for certain amounts due from a related company amounting to RMB28 million which were unsecured and carried a fixed interest rate of 6.00% per annum as at 31 December 2014. The Group expected the amounts would 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 RMB39 million (2014: RMB43 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:

	2015 RMB million	2014 RMB million
Within three months	**10**	34
4 to 6 months	**10**	1
7 to 9 months	**10**	1
10 to 12 months	**3**	2
More than one year	**6**	5
	39	43

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 director and shareholder of the Company with significant influence, 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.

29. Deferred Taxation

	2015 RMB million	2014 RMB million
Deferred tax assets	**582**	422
Deferred tax liabilities	**(393)**	(379)
	189	43

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 2014	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)
Acquisition of a subsidiary (Note 47)	19	–	–	–	–	–	19
(Credit) charge to profit or loss	(13)	10	4	(143)	(29)	6	(165)
At 31 December 2015	230	135	101	(564)	(104)	13	(189)

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% or 5% 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 RMB723 million (2014: RMB757 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 2015, the Group has unused tax losses of approximately RMB1,396 million (2014: RMB1,365 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:

	2015 RMB million	2014 RMB million
2015	**–**	262
2016	**256**	319
2017	**461**	483
2018	**108**	141
2019	**157**	160
2020	**414**	–
	1,396	1,365

As at 31 December 2015, the Group has other deductible temporary differences of approximately RMB542 million (2014: RMB498 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.

30. Deposits Paid for Investments

The balance as at 31 December 2015 of RMB26 million (2014: RMB18 million) represented the deposits paid for the equity investments in the PRC which have not been completed at the end of the reporting period.

31. Restricted Bank Deposits

	2015	2014
	RMB million	RMB million
Current portion	**99**	71
Non-current portion	**506**	43
	605	114
Bank deposits secured for:		
Letter of credit	**67**	–
Rights of operation	**18**	23
Gas supplies	**43**	91
Mandatory reserves in the People's Bank of China ("PBOC")	**477**	–
	605	114

As at 31 December 2015, the restricted bank deposits carry fixed interest rate ranged from 0.35% to 5.25% (2014: from 0.25% to 5.25%) per annum. Except for the amount of mandatory reserves in the PBOC, other restricted bank deposits will be released upon the settlement of bank letter of credit, the expiry of purchase contracts or operation rights. The mandatory reserves in the PBOC is a deposits placed by the Finance Company and the reserves amount is subject to change with respect to the savings accepted by the Finance Company and the PBOC reserve rate adjusted from time to time.

32. Inventories

	2015	2014
	RMB million	RMB million
Construction materials	**225**	221
Gas appliances	**84**	42
Natural gas	**88**	239
Other energy inventory	**3**	1
Spare parts and consumable	**4**	7
	404	510

The cost of inventories recognised as an expense during the year was approximately RMB19,460 million (2014: RMB18,934 million).

33. Amounts Due from/to Customers for Contract Work

	2015	2014
	RMB million	RMB million
Contract costs incurred plus recognised profits	**709**	885
Less: Progress billings	**(2,760)**	(3,046)
	(2,051)	(2,161)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**197**	207
Amounts due to customers for contract work	**(2,248)**	(2,368)
	(2,051)	(2,161)

34. 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 0.35% to 5% (2014: 0.25% to 4.6%) per annum as at 31 December 2015. 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 RMB283 million (2014: RMB2,342 million), of which approximately RMB279 million (2014: RMB2,318 million) and approximately RMB3 million (2014: RMB24 million) are denominated in USD and HK$ respectively.

35. Trade and Other Payables

	2015 **RMB million**	2014 RMB million
Trade payables	**1,651**	2,034
Advances received from customers	**4,382**	4,131
Accrued charges and other payables	**1,100**	1,097
	7,133	7,262

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

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

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

36. Amounts Due to Related Companies

	2015 **RMB million**	2014 RMB million
Amounts due to companies controlled by a director and shareholder with significant influence	**400**	239

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

The amounts due to related companies of approximately RMB387 million (2014: RMB239 million) are unsecured, interest-free and repayable on demand, and the amounts due to related companies of approximately RMB13 million (2014: nil) are unsecured and carried a floating interest rate of 0.35% per annum as at 31 December 2015.

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

Included in the amounts due to related companies are trade payables amounting to approximately RMB340 million (2014: RMB220 million) and the aged analysis presented based on invoice date at the end of the reporting period is as follows:

	2015 RMB million	2014 RMB million
Within three months	236	160
4 to 6 months	23	21
7 to 9 months	20	11
10 to 12 months	37	5
More than one year	24	23
	340	220

37. Bank and Other Loans

	2015 RMB million	2014 RMB million
Bank loans		
Secured	413	768
Unsecured	2,922	2,133
	3,335	2,901
Other loans		
Secured	5	9
Unsecured	96	96
	101	105
	3,436	3,006
The bank and other loans are repayable:		
Within one year	2,600	1,530
More than one year, but not exceeding two years	358	401
More than two years, but not exceeding five years	478	967
More than five years	–	108
	3,436	3,006
Less: Amounts due within one year shown under current liabilities	(2,600)	(1,530)
Amounts shown under non-current liabilities	836	1,476

All the bank and other loans are denominated in the functional currency of respective group entities except for approximately RMB737 million (2014: RMB989 million) which 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.

37. BANK AND OTHER LOANS *(continued)*

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

At 31 December 2015

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured RMB bank loan	08/01/2016-13/10/2016	**1.80%-4.6%**	**1,295**
Unsecured RMB other loans	17/06/2016	**3.38%-5%**	**96**
Total fixed-rate borrowings			**1,391**
Floating-rate borrowings			
Unsecured RMB bank loan at PBOC base rate	07/02/2016-01/04/2020	**4.13%-6.6%**	**890**
Secured RMB bank loan at PBOC base rate	20/02/2016-20/12/2020	**6.03%**	**413**
Unsecured USD bank loan at London Inter Bank Offer Rate ("LIBOR") plus 2.75%	15/05/2016-15/05/2020	**3.17%**	**394**
Unsecured USD bank loan at LIBOR plus 2.5%	15/05/2016-15/05/2018	**2.92%**	**343**
Secured RMB other loan at PRC government bond rate	15/12/2016-12/06/2017	**3.25%**	**5**
Total floating-rate borrowings			**2,045**
Total borrowings			**3,436**

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 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

38. Financial Guarantee Liability

As at 31 December 2015, the Group had outstanding guarantees issued to banks to secure loan facilities granted to joint ventures and an associate to the extent of approximately RMB320 million (2014: RMB466 million) for loans with maturity from two to five 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 2015 is approximately RMB29 million (2014: RMB48 million).

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 2014	–	58	1,437	1,495
Additions	78	–	388	466
At 31 December 2014	78	58	1,825	1,961
Additions	91	13	590	694
At 31 December 2015	169	71	2,415	2,655
RECOGNITION				
At 1 January 2014	–	18	176	194
Release to profit or loss	2	1	87	90
At 31 December 2014	2	19	263	284
Release to profit or loss	4	1	119	124
At 31 December 2015	6	20	382	408
CARRYING VALUES				
At 31 December 2015	163	51	2,033	2,247
At 31 December 2014	76	39	1,562	1,677

	2015 **RMB million**	2014 RMB million
Analysed for reporting purposes as:		
Current liabilities	**150**	105
Non-current liabilities	**2,097**	1,572
	2,247	1,677

Notes:

a. The balance represented the subsidies received from the 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 their main gas pipelines. The Directors consider that the arrangement indicates that the subsidiaries are required to provide the customers 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

	2015 Number of shares	2014 Number of shares	2015 HK$ million	2014 HK$ million
Shares of HK$0.10 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	**1,083,059,397**	1,082,859,397	**108**	108
Issue of shares on exercise of share options (note a)	**–**	200,000	**–**	–
Share repurchase (note b)	**(500,000)**	–	**–**	–
At end of the year	**1,082,559,397**	1,083,059,397	**108**	108

	2015 RMB million	2014 RMB million
Presented in consolidated financial statements as:		
At beginning of the year	**113**	113
Issue of shares on exercise of share options (note a)	**–**	–
Share repurchase (note b)	**–**	–
At end of the year	**113**	113

Notes:

a. 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.

b. On 20 August 2015, the Company repurchased 500,000 of its own ordinary shares through the Stock Exchange. The highest price was HK$40.00 and the lowest price was HK$38.35. The aggregate consideration paid was HK$19 million (approximately RMB16 million). The above ordinary shares were cancelled upon repurchase. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

c. On 11 January 2016 and 21 January 2016, the Company repurchased 200,000 and 32,000 of its own ordinary shares through the Stock Exchange respectively. The highest price was HK$34.00 and the lowest price was HK$32.45. The aggregate consideration paid was HK$8 million (approximately RMB6.6 million). The above ordinary shares were in the process of cancellation as of the date of this report. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to the report date.

41. Corporate Bonds

a. Corporate bonds issued in 2011 (the "2011 Corporate Bonds")

On 16 February 2011, a subsidiary of the Group, Xinao (China) Gas Investment Company Limited ("Xinao (China)"), issued the 2011 Corporate Bonds 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. The 2011 Corporate Bonds was listed on the Shanghai Stock Exchange on 25 March 2011.

According to the terms and conditions of the 2011 Corporate Bonds, Xinao (China) may at its option to increase the coupon rate by 0% to 1% at the end of year five, which is the 10th trading day before 16 February 2016 by giving a notice to the bondholders. And the bondholders may accordingly at their option to require Xinao (China) to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the increased interest rate until the maturity date. Before 16 February 2016 the effective interest rate of the 2011 Corporate Bonds is approximately 6.616% per annum after the adjustment for transaction costs.

Xinao (China) decided not to adjust the coupon rate and no bondholder required Xinao (China) to redeem the 2011 Corporate Bonds in February 2016. As at 31 December 2015, the 2011 Corporate Bonds were classified as current liabilities in the Group's consolidated financial statements as it is at the discretion of the holders to exercise the option. Since 16 February 2016, the 2011 Corporate Bonds would be reclassified as non-current liabilities as no holder exercises their put option.

The 2011 Corporate Bonds recognised in the consolidated statement of financial position were as follows:

	2015 **RMB million**	2014 RMB million
Principal amount	**500**	500
Issue costs	**(4)**	(4)
	496	496
Effective interest recognised	**159**	127
Interest paid/payable	**(157)**	(125)
Carrying amount as at end of the year	**498**	498
Analysed for reporting purposes as:		
Current liabilities	**498**	–
Non-current liabilities	**–**	498

b. Corporate bonds issued in 2015 (the "2015 Corporate Bonds ")

On 18 December 2015, Xinao (China) issued the 2015 Corporate Bonds of RMB2,500 million. The amount is unsecured and carries a fixed interest rate of 3.68% per annum and is repayable on 17 December 2020. The interest is payable to the holders of the bond on yearly basis. The net proceeds after deducting the issuance costs, amounted to RMB2,489 million. The 2015 Corporate Bonds was listed on the Shanghai Stock Exchange on 2 February 2016.

According to the terms and conditions of the 2015 Corporate Bonds, Xinao (China) has the right to unadjust or adjust the coupon rate for the fourth and fifth year at the end of the third year, which is the 30th trading day before 18 December 2018 by giving a notice to the bondholder. The bondholders may accordingly at their option to require Xinao (China) to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the interest rate offered by Xinao (China) at the end of the third year until the maturity date. The effective interest rate of the 2015 Corporate Bonds is approximately 3.8316% per annum after the adjustment for transaction costs.

41. Corporate Bonds *(continued)*

b. Corporate bonds issued in 2015 (the "2015 Corporate Bonds ") *(continued)*

The 2015 Corporate Bonds recognised in the consolidated statement of financial position were as follows:

	2015 **RMB million**
Principal amount	**2,500**
Issue costs	**(11)**
	2,489
Effective interest recognised	**3**
Interest paid/payable	**(3)**
Carrying amount as at end of the year	**2,489**

42. Senior Notes

On 13 May 2011, the Company issued 6% senior notes with an aggregated nominal value of USD750 million (equivalent to approximately RMB4,863 million) (the "2021 Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to USD735 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.

The fair value of the early redemption right is insignificant at initial recognition and at the end of the reporting periods. 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:

	2015 **RMB million**	2014 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
Repurchased (note a)	**(219)**	–
Effective interest recognised	**1,334**	1,049
Interest paid/payable	**(1,299)**	(1,023)
Exchange loss (gain)	**3**	(269)
Carrying amount at 31 December	**4,584**	4,522
Fair values of the 2021 Senior Notes (note b)	**5,071**	5,130

Notes:

a. In September 2015, the Company has repurchased in aggregate of principal amount of USD35 million (equivalent to RMB222 million) in the open market and the aggregate amount of consideration paid by the Company was RMB247 million (included the applicable premium and accrued interests). As a result, a loss on repurchase of RMB23 million was recognised and included in other gains or losses as set out in Note 9. The notes repurchased were not yet cancelled as at 31 December 2015.

b. The fair values of the 2021 Senior Notes are determined by references to the price quotations in an over-the-counter market on 31 December 2015 and 2014.

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 USD500 million (approximately RMB3,141 million) (the "Convertible Bonds"). Each bond will, at the option of the holders, 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 Convertible Bonds agreement. Conversion may occur at any time on or after 8 April 2013 and up to 16 February 2018. If the Convertible Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount.

In accordance with the terms and conditions of the Convertible Bonds, the holder of each Convertible Bond will have the right, at such holder's option, to require the Company to redeem all or some only of the Convertible Bonds of such holder on 26 February 2016 (the "Put Option Date") at 101.51 per cent of their principal amount. And the Company (i) may at any time after Put Option Date and prior to the maturity date redeem in whole, but not in part, the Convertible 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 Convertible 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 Convertible 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 Convertible Bonds redeem in whole, but not in part, the Convertible 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 Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

As at 31 December 2015, the Convertible Bonds were classified as current liabilities in the Group's consolidated financial statements as it is at the discretion of the holders to exercise the option on the Put Option Date. Since 26 February 2016, the Convertible Bonds would be reclassified as non-current liabilities as no holder exercises the option on Put Option Date.

The Convertible Bonds, which are listed 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 Convertible Bonds.

As at 31 December 2015, the over-the-counter market price of the Convertible Bonds was USD548 million (2014: USD548 million) (approximately RMB3,556 million (2014: RMB3,356 million)). There was fair value loss of approximately RMB200 million (2014: fair value gain of approximately RMB569 million) during the year ended 31 December 2015.

No conversion or redemption of the Convertible Bonds has occurred up to 31 December 2015.

45. Unsecured Bonds

On 23 October 2014, the Company issued 3.25% bonds with an aggregate nominal value of USD400 million (equivalent to approximately RMB2,460 million) (the "2019 Unsecured Bonds") at a discount and issuance costs, amounting to USD395 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.

The estimated fair value of the early redemption right is insignificant at initial recognition and at the end of the reporting periods. 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:

	2015 RMB million	2014 RMB million
Nominal value of 2019 Unsecured Bonds	**2,460**	2,460
Discount cost	**(12)**	(12)
Issue costs	**(19)**	(19)
Fair value at date of issuance	**2,429**	2,429
Repurchased and cancelled (note a)	**(2,107)**	–
Effective interest recognised	**89**	16
Interest paid/payable	**(83)**	(15)
Exchange loss (gain)	**89**	(12)
Carrying amount at 31 December	**417**	2,418
Fair values of the 2019 Unsecured Bonds (note b)	**418**	2,410

Notes:

a. The Company has repurchased in aggregate principal amount of USD335,174,000 (the "Accepted Bonds", equivalent to RMB2,129 million) bonds pursuant to the tender offer on 24 September 2015. The consideration paid by the Company in relation to the repurchase of the Accepted Bonds was USD343,043,606 (equivalent to RMB2,179 million, including the premium and accrued interests) as of the settlement date on 20 October 2015. As a result, a loss on repurchase of RMB38 million was recognised and included in other gains or losses as set out in Note 9. The Accepted Bonds were cancelled by the Company on 20 October 2015, thus the principal amount of bonds remaining outstanding was USD64.8 million.

b. The fair values of 2019 Unsecured Bonds are determined by references to the price quotations in an over-the-counter market on 31 December 2015 and 2014.

46. Share Options

The Company has adopted share option schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 (the "Scheme 2002") and an annual general meeting of the Company held on 26 June 2012 (the "Scheme 2012").

The purpose of the share option schemes are 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 schemes, 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.

46. Share Options *(continued)*

a. Scheme 2012

On 9 December 2015, the Company granted share options to directors and certain employees ("Grantees") to subscribe for a total of 12,000,000 ordinary shares of HK$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 26 June 2012, subject to acceptance by the Grantees.

Among the share options granted above, 2,659,000 share options were granted to the Directors to subscribe for a total of 2,659,000 shares in the Company and 9,341,000 share options were granted to certain employees of the Group to subscribe 9,341,000 shares in the Company. Vesting of the share options is conditional upon the fulfilment of certain vesting conditions as set out in the respective offer letters of the Grantees, which may involve fulfilment of performance rating.

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 schemes during the year:

					Number of options			
	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1.1.2015	Granted during the year	Forfeited during the year	Outstanding at 31.12.2015
Tranche 1	9.12.2015	9.12.2015 to 1.4.2017	1.4.2017 to 8.12.2025	HK$40.34	–	3,000,000	–	3,000,000
Tranche 2	9.12.2015	9.12.2015 to 1.4.2018	1.4.2018 to 8.12.2025	HK$40.34	–	3,000,000	–	3,000,000
Tranche 3	9.12.2015	9.12.2015 to 1.4.2019	1.4.2019 to 8.12.2025	HK$40.34	–	3,000,000	–	3,000,000
Tranche 4	9.12.2015	9.12.2015 to 1.4.2020	1.4.2020 to 8.12.2025	HK$40.34	–	3,000,000	–	3,000,000
					–	12,000,000	–	12,000,000
Exercisable at the end of the year								–
Weighted average exercise price					HK$40.34	–	–	HK$40.34

				Number of options			
	Date of grant	Exercise period	Exercise price	Outstanding at 1.1.2015	Granted during the year	Forfeited during the year	Outstanding at 31.12.2015
Directors	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	–	664,750	–	664,750
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	–	664,750	–	664,750
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	–	664,750	–	664,750
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	–	664,750	–	664,750
Employees	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	–	2,335,250	–	2,335,250
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	–	2,335,250	–	2,335,250
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	–	2,335,250	–	2,335,250
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	–	2,335,250	–	2,335,250
				–	12,000,000	–	12,000,000
Exercisable at the end of the year							–
Weighted average exercise price				HK$40.34	–	–	HK$40.34

The closing price of the Company's shares immediately before 9 December 2015, the date of grant, was HK$39.85 per share.

46. Share Options *(continued)*

a. Scheme 2012 *(continued)*

Exercise price of the share options granted is HK$40.34 per share, which represents the highest of (i) the closing price of HK$39.00 per share as stated in the daily quotations sheet of the Stock Exchange on 9 December 2015, being the date of grant; (ii) the average closing price of HK$40.34 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.

During the year, the Group recognised share-based payment expenses of RMB3 million and no options were exercised. The total fair value of the options calculated by using the binomial model was HK$194 million.

The following assumptions were used to calculation the fair value of share options:

	Directors	Employees
Spot price	HK$39.00	HK$39.00
Exercise price	HK$40.34	HK$40.34
Risk free rate	1.555%	1.555%
Expected volatility	43.12%	43.12%
Expected dividend yield	1.08%	1.08%
Early exercise behaviour	280% of the exercise price	220% of the exercise price

The Binomial model has been used to estimate the fair value of the options. The expected volatility was determined by referencing to the historical volatility of the Company's share price over the previous 10 years. The other 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.

At the end of each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

b. Scheme 2002

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 and an employee of the Group is 200,000 (2014: 400,000) and 200,000 (2014: nil) respectively. Mr. Wang Guangtian retired from director on 29 May 2015, the outstanding 200,000 share options granted to him were reclassified to employee.

46. Share Options *(continued)*

b. Scheme 2002 *(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 schemes during the year:

	Date of grant	Vesting period	Exercise period	Exercise price	Number of options Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Outstanding at 31.12.2015
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	**400,000**	–	–	**400,000**
					400,000	–	–	**400,000**
Exercisable at the end of the year								**400,000**
Weighted average exercise price					**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 options scheme during the prior year:

	Date of grant	Vesting period	Exercise period	Exercise price	Number of options 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	600,000	–	(200,000)	400,000
					600,000	–	(200,000)	400,000
Exercisable at the end of the year								400,000
Weighted average exercise price					HK$16.26	–	HK$16.26	HK$16.26

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.

During the current and prior year, the Group recognised no share-based payment expenses.

47. Acquisition of Businesses

a. Acquisition of businesses during the year ended 31 December 2015

On 23 July 2015, the Group acquired 90% of the registered capital of 上饒經濟開發區仁恒天然氣有限公司 ("Shangrao") at a cash consideration of RMB31 million. Shangrao is engaged in sales of piped gas. Shangrao was acquired with the objective of expansion in market coverage of business of the Group.

The provisional amounts of fair value of the assets and liabilities of Shangrao at the date of acquisition are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	74
Prepaid lease payments	10
Intangible assets – right of operation	75
Current assets	
Inventories	1
Trade and other receivables	12
Current liabilities	
Trade and other payables	(69)
Short term loan	(50)
Non-current liabilities	
Deferred tax liabilities	(19)
Net assets acquired	34

The fair value of trade and other receivables at the date of acquisition amounted to RMB12 million. The gross contractual amounts of those trade and other receivables acquired amounted to RMB35 million at the date of acquisition. At acquisition date, the best estimate of the contractual cash flows expected not to be collected amounted to RMB23 million.

	RMB million
Goodwill arising on acquisition (determined on a provisional basis)	
Total consideration	31
Add: Non-controlling interests (10% in Shangrao)	3
Less: Fair value of identified net assets acquired	(34)
Goodwill arising on acquisition	–
Total consideration satisfied by:	
Cash	19
Consideration payables (included in other payables)	12
	31
Net cash outflow arising on acquisition:	
Cash consideration paid	(19)
Less: Cash and cash equivalents acquired	–
	(19)

47. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2015 *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB4 million of loss attributable to the additional business generated by Shangrao. Revenue for the year includes RMB4 million generated from Shangrao.

Had the acquisition of Shangrao has been effected on 1 January 2015, the revenue of the Group for the year ended 31 December 2015 would have been approximately RMB32,068 million, and the profit for the current year would have been approximately RMB2,718 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 on 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Shangrao been acquired on 1 January 2015, the Directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payments and intangible assets acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

b. 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 acquired	50

47. Acquisition of Businesses *(continued)*

b. 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
Add: Non-controlling interests (20% in Liuyang Zhongyou)	10
Less: Fair value of identified net assets acquired	(50)
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

Included in the profit for the year is RMB1 million of gain attributable to the additional business generated by Liuyang Zhongyou. Revenue for the year includes RMB33 million generated from Liuyang Zhongyou.

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 year ended 31 December 2014 would have been approximately RMB3,621 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 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 and intangible assets 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 entered into sales and purchase agreements with ENN Transportation Fuel S.a.r.l., a company controlled by Mr. Wang, to acquire 100% equity interest in ENN North America Investment Corporation ("ENN US") and ENN Canada Corporation ("ENN Canada") at cash considerations of USD180 million (approximately RMB1,101 million) and USD20 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)*

b. 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 refuelling 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 acquired	629	72

In 2015, the valuation report has been finalised and issued by an independent professional valuer. No adjustment to the fair value of the assets and liabilities of ENN US and ENN Canada as required.

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.

47. Acquisition of Businesses *(continued)*

b. Acquisition of businesses during the year ended 31 December 2014 *(continued)*

Acquisition of overseas businesses (continued)

Goodwill arising on acquisition

	ENN US RMB million	ENN Canada RMB million
Consideration	1,101	122
Add: Non-controlling interests	15	–
Less: Fair value of identified net assets acquired	(629)	(72)
Goodwill arising on acquisition	487	50

Goodwill arising 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.

No 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.

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 year ended 31 December 2014 would have been approximately RMB3,331 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 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 acquired on the basis of the provisional 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 2015

To facilitate with the Group's overall business strategy, the Group will from time to time liaise the local PRC governments and potential vendors to acquire the gas connection and related assets. During the year ended 31 December 2015, the Group has acquired assets through the acquisitions of the following subsidiaries.

On 23 January 2015, the Group acquired 60% of the registered capital of 寧波大榭開發區燃氣有限公司 ("Ningbo Daxie") at a cash consideration of RMB60 million.

On 18 March 2015, the Group further acquired 40% of the registered capital of a joint venture, 北京新奧葉氏能源投資有限公司 ("Xinao Yeshi"), at a cash consideration of RMB4 million. After the acquisition, Xinao Yeshi become a wholly owned subsidiary of the Group. Xinao Yeshi has not yet commenced operation as at the date of acquisition.

On 11 August 2015, the Group acquired 100% of the registered capital of 安徽鑫能燃氣有限公司 ("Anhui Xinneng") at a cash consideration of RMB27 million. The main assets owned by Anhui Xinneng is an equity investment in an associate.

On 23 December 2015, the Group acquired 80% of the registered capital of 新安新奧中潤燃氣有限公司 ("Xinan Xinao") at a cash consideration of RMB18 million.

The transaction was accounted for acquisition of assets through acquisition of subsidiaries and the fair value of the considerations allocated to the assets and liabilities acquired are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	37
Intangible assets – rights of operation	93
Prepaid lease payments	1
Interest in an associate	28
Current assets	
Inventories	1
Trade and other receivables	5
Deposit	1
Cash and cash equivalents	3
Current liabilities	
Trade and other payables	(9)
Net assets acquired	160
Less: Non-controlling interests	(45)
Less: Interests previously held	(6)
Total consideration	109
Total consideration satisfied by:	
Cash	79
Consideration payables (included in other payables)	30
	109
Net cash outflow arising on acquisition:	
Cash consideration paid	(79)
Less: Cash and cash equivalents acquired	3
	(76)

48. Acquisition of Assets Through Acquisitions of Subsidiaries *(continued)*

b. 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 連雲港雙閩管道燃氣有限公司 ("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 satisfied by:	
Cash	4
Consideration payables (included in other payables)	8
	12
Net cash outflow arising on acquisition:	
Cash consideration paid	(4)
Less: Cash and cash equivalents acquired	–
	(4)

49. Disposal/Derecognition of Subsidiaries

a. Disposal of subsidiaries during the year ended 31 December 2015

On 30 April 2015, the Group disposed of 70% equity interest in 本溪新奧鑫和清潔能源有限公司 ("Benxi Xinao") at cash consideration of RMB14 million to an independent third party. As a result, the Group lost full control on Benxi Xinao.

On 4 August 2015, the Group disposed of 95% equity interest in 韶關市新奧交通能源有限公司 ("Shaoguan Xinao") at cash consideration of RMB10 million to a joint venture. As a result, the Group lost control over Shaoguan Xinao.

The net consideration received from the transactions are summerised as follow:

Consideration

	Benxi Xinao RMB million	**Shaoguan Xinao** RMB million
Cash consideration received	14	10

49. Disposal/Derecognition of Subsidiaries *(continued)*

a. Disposal of subsidiaries during the year ended 31 December 2015 *(continued)*

Consideration (continued)

The net assets of Benxi Xinao and Shaoguan Xinao at the date of disposal were as follow:

	Benxi Xinao RMB million	Shaoguan Xinao RMB million
Non-current asset		
Property, plant and equipment	–	7
Current assets		
Cash and cash equivalents	19	1
Net assets	19	8
Less: Non-controlling interests	(6)	–
Net assets disposed of	13	8

The gain on disposal of Benxi Xinao and Shaoguan Xinao recognised in profit or loss were calculated as below:

	Benxi Xinao RMB million	Shaoguan Xinao RMB million
Consideration received	14	10
Less: Net assets disposed of	(13)	(8)
Gain on disposal of subsidiaries	1	2

Net cash (outflow) inflow arising on disposal:

	Benxi Xinao RMB million	Shaoguan Xinao RMB million
Cash consideration received	14	10
Cash and cash equivalents disposed of	(19)	(1)
	(5)	9

49. Disposal/Derecognition of Subsidiaries (*continued*)

b. Derecognition of subsidiaries during the year ended 31 December 2015

On 27 August 2015, a 100% owned subsidiary, 肇慶新奧清潔能源有限公司 ("Zhaoqing Xinao"), increased its registered capital by the capital injection from the Group and 肇慶新區投資發展有限公司 ("Zhaoqing Investment") amounting to RMB11 million and RMB9 million respectively. As a result, the Group's equity interest in Zhaoqing Xinao diluted to 70%. Pursuant to the revised articles of joint venture of Zhaoqing Xinao, the Group was unable to control Zhaoqing Xinao because a resolution for the financial and operating activities of Zhaoqing Xinao can only be passed with a three-fourths majority.

The net assets of Zhaoqing Xinao at the date of the Group lost control over Zhaoqing Xinao were as follow:

	RMB million
Non-current assets	
Property, plant and equipment	30
Prepaid lease payments	4
Current assets	
Other receivables	2
Cash and cash equivalents	5
Current liabilities	
Trade and other payables	(36)
Net amount derecognised attributable to the equity owners of the Company before capital injection	5
Capital injection by Zhaoqing Xinao and Zhaoqing Investment	20
Net amount derecognised including capital injection by Zhaoqing Xinao and Zhaoqing Investment	25

The gain recognised in profit or loss on loss of control of Zhaoqing Xinao was calculated as below:

	RMB million
Fair value of the residual interests in Zhaoqing Xinao recognised as investment cost of a joint venture	21
Capital injection by Zhaoqing Investment	9
	30
Less: Net assets derecognised	(25)
Gain on derecognition of a subsidiary	5

Net cash outflow arising on derecognition:

	RMB million
Cash outflow arising on capital injection to Zhaoqing Xinao	(11)
Cash and cash equivalent derecognised	(5)
	(16)

49. Disposal/Derecognition of Subsidiaries *(continued)*

c. Disposal/derecognition of subsidiaries during the year ended 31 December 2014

On 8 May 2014, the Group disposed of 55% equity interest in 中海油新奧（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 interests in joint ventures. On 15 August 2014, 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 2015 and 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.

The net consideration received from the transaction is summerised as follow:

Consideration:

	Xinao Beihai RMB million	**Xinao Qinshui** RMB million
Cash 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 assets		
Property, plant and equipment	147	184
Prepaid lease payments	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

49. Disposal/Derecognition of Subsidiaries *(continued)*

c. Disposal/derecognition of subsidiaries during the year ended 31 December 2014 *(continued)*

The gain on loss of control of Xinao Beihai and disposal of Xinao Qinshui recognised in profit or loss 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 disposed of	(120)	(126)
	29	39
Less: Goodwill recognised previously	(15)	–
Gain on disposal 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 of	(1)	(5)
	81	160

50. Commitments

a. Capital commitments

	2015 **RMB million**	2014 RMB million
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**281**	339
Capital commitment in respect of		
– investments in joint ventures	**48**	69
– investments in associates	**17**	17
– other equity investments	**112**	4,160

b. Other commitments

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

51. Lease Commitments

The Group as lessee

	2015 RMB million	2014 RMB million
Minimum lease payments paid under operating leases during the year:		
Premises	**97**	71
Other assets	**5**	8
	102	79

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:

	2015 RMB million	2014 RMB million
Within one year	**63**	42
In the second to fifth year inclusive	**154**	93
Over five years	**197**	146
	414	281

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. 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:

	2015 RMB million	2014 RMB million
Within one year	**9**	9
In the second to fifth year inclusive	**17**	7
Over five years	**16**	1
	42	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:

	2015 RMB million	2014 RMB million
Carrying amount of:		
Property, plant and equipment	**11**	12
Restricted bank deposits	**128**	114

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 RMB1,020 million (2014: RMB1,290 million) granted to the Group, of which RMB413 million (2014: RMB684 million) has been utilised up to 31 December 2015.

53. Related Party Transactions

Apart from the related party balances as stated in Notes 26, 27, 28 and 36 and the equity transactions as stated in Notes 47, 48 and 49, the Group had the following transactions with certain related parties:

	2015 RMB million	2014 RMB million
Nature of transaction		
Associates:		
– Sales of gas to	**248**	225
– Sales of materials to	**24**	39
– Purchase of gas from	**228**	192
– Loan interest received from	**6**	2
– Provision of gas transportation services to	**3**	4
– Provision of gas transportation services from	**5**	5
– Provision of gas connection services to	**2**	–
– Deposit interest paid to	**1**	–
– Provision of supporting services by	**1**	–

	2015 RMB million	2014 RMB million
Nature of transaction		
Joint ventures:		
– Sales of gas to	**782**	716
– Sales of materials to	**91**	87
– Sales of equipment to	**–**	206
– Purchase of gas from	**1,912**	1,571
– Provision of gas transportation services to	**193**	201
– Loan interest received from	**24**	16
– Loan interest paid to	**44**	9
– Provision of gas connection services to	**63**	45
– Provision of supporting services to	**21**	27
– Purchase of equipment from	**–**	6
– Deposit interest paid to	**4**	2
– Lease of land from	**1**	1
– Provision of construction services by	**19**	–
– Provision of gas transportation services by	**1**	–
Companies controlled by Mr. Wang:		
– Provision of energy efficiency technology services by	**129**	72
– Sales of gas to	**8**	9
– Purchase of equipment from	**1**	3
– Sales of materials to	**19**	9
– Provision of gas connection service to	**1**	3
– Provision of construction service by	**814**	391
– Provision of property management services by	**15**	15
– Provision of property management services to	**1**	1
– Lease of premises to	**1**	1
– Lease of premises from	**3**	3
– Provision of supporting services by	**72**	59
– Provision of maritime transportation services by	**–**	5
– Provision of electronic business services by	**5**	2
– Provision of service card technology services by	**–**	3
– Purchase of LNG from	**283**	111
– Loan interest received from	**1**	–
– Deposit interest paid to	**3**	–

As at 31 December 2015, Mr. Wang and Ms. Zhao Baoju, the spouse of Mr. Wang, provided no personal guarantees (2014: RMB415 million).

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 12.

54. Segment Information

Information reported to the chief operating decision maker, the 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 gas refuelling stations, wholesale of gas, sales of other energy, sales of gas appliances and sales of material. Segment profit reviewed by the President represents the gross profit earned by each segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4.

Segment revenue and results

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

Inter-segment sales are charged at prevailing market rates.

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

2015

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

2014

	Gas connection 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

54. Segment Information *(continued)*

Segment assets and liabilities

An analysis of the Group's total assets and liabilities by segment is as follows:

2015

	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	3,107	16,732	3,487	617	303	282	80	24,608
Interests in associates								1,024
Interests in joint ventures								3,810
Unallocated corporate assets								17,577
Consolidated total assets								47,019
Liabilities:								
Segment liabilities	7,433	3,448	448	214	17	118	164	11,842
Bank and other loans								3,436
Corporate bonds								2,987
Senior notes								4,584
Medium-term notes								700
Convertible bonds at fair value through profit and loss								3,556
Unsecured bonds								417
Unallocated corporate liabilities								3,402
Consolidated total liabilities								30,924

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 bonds								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

54. Segment Information *(continued)*

Segment assets and liabilities *(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 receivables 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 payables, amounts due to associates, joint ventures and related companies, taxation payable, bank and other loans, corporate bonds, 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:								
2015								
Additions to non-current assets (note b)	**386**	**2,163**	**345**	**56**	**18**	**15**	**6**	**2,989**
Depreciation and amortisation	**160**	**581**	**103**	**4**	**10**	**2**	**–**	**860**
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

54. Segment Information *(continued)*

Other segment information *(continued)*

	Additions to non-current assets (note b)		Depreciation and amortisation	
	2015	2014	**2015**	2014
	RMB million	RMB million	**RMB million**	RMB million
Segment total	**2,989**	3,812	**860**	653
Adjustments (note a)	**180**	259	**183**	164
Total	**3,169**	4,071	**1,043**	817

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.

There is no single customer contribute more than 10% of the total revenue of the Group.

Geographical information

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

The President also reviews the following analysis of the Group's domestic and overseas operations based on the locations of the subsidiaries. The basis for attributing the revenue is based on the location of customers from which the revenue is earned. Information about the Group's non-current assets is presented based on the geographical location of the assets.

2015

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

54. Segment Information *(continued)*

Geographical information *(continued)*

2014

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

Note: Non-current assets include property, plant and equipment, prepaid lease payments, goodwill and intangible assets.

55. Retirement Benefits Scheme

	2015 RMB million	2014 RMB million
Retirement benefit contribution made during the year	**150**	134

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. The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. The maximum monthly amount of contribution is limited to HK$1,500 per employee.

56. Statement of Financial Position of the Company

	2015 RMB million	2014 RMB million
Non-current Assets		
Investment in subsidiaries	**4,109**	3,835
Investment in an associate	**44**	44
Amounts due from subsidiaries	**6,602**	4,673
	10,755	8,552
Current Assets		
Amounts due from subsidiaries	**2,241**	1,897
Cash and cash equivalents	**48**	2,943
	2,289	4,840
Current Liabilities		
Other payables and accrued expenses	**40**	60
Tax payable	**127**	–
Amounts due to subsidiaries	**27**	921
Bank loans-due within one year	**200**	–
Convertible bonds at fair value through profit and loss	**3,556**	–
	3,950	981
Net Current (Liabilities) Assets	**(1,661)**	3,859
Total Assets less Current Liabilities	**9,094**	12,411
Capital and Reserves		
Share capital	**113**	113
Reserves	**3,243**	1,097
Total Equity	**3,356**	1,210
Non-current Liabilities		
Bank loans – due after one year	**737**	905
Unsecured bonds	**417**	2,418
Senior notes	**4,584**	4,522
Convertible bonds at fair value through profit and loss	**–**	3,356
	5,738	11,201
Total Equity and Non-current Liabilities	**9,094**	12,411

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
At 1 January 2014	113	1,179	2	(664)	630
Profit and total comprehensive income for the year	–	–	–	991	991
Issue of shares upon exercise of share options (Note 46)	–	4	(1)	–	3
Dividends appropriation	–	(414)	–	–	(414)
At 31 December 2014	**113**	**769**	**1**	**327**	**1,210**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**2,868**	**2,868**
Recognition of equity-settled share-based payment (Note 46)	**–**	**–**	**3**	**–**	**3**
Share repurchase (Note 40)	**–**	**(16)**	**–**	**–**	**(16)**
Dividends appropriation	**–**	**(709)**	**–**	**–**	**(709)**
At 31 December 2015	**113**	**44**	**4**	**3,195**	**3,356**

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 2015	2014	Principal activities
ENN Gas Investment Group Limited ("ENN Gas")	British Virgin Island	USD1,000	**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	USD23,800,000	**100.00%**	100.00%	Retail of gas pipelines, related materials and equipment
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 Development")	PRC	USD600,000	**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	USD5,000,000	**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	USD7,100,000	**90.00%**	90.00%	Sales of piped gas
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

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
			2015	2014	
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%	Investment in gas pipeline infrastructure and 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
肇慶新奧燃氣有限公司 Zhaoqing Xinao Gas Company Limited#	PRC	RMB52,700,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure and sales of piped gas
株洲新奧燃氣有限公司 Zhuzhou Xinao Gas Company Limited*	PRC	RMB135,000,000	**55.00%**	55.00%	Investment in gas pipeline infrastructure
湘潭新奧燃氣有限公司 Xiangtan Xinao Gas Company Limited*	PRC	RMB70,000,000	**85.00%**	85.00%	Investment in gas pipeline infrastructure
蚌埠新奧燃氣有限公司 Bangbu Xinao Gas Company Limited*	PRC	RMB110,000,000	**70.00%**	70.00%	Investment in gas pipeline infrastructure
葫蘆島新奧燃氣发展有限公司 Huludao Xinao Gas Development Gas Company Limited*	PRC	USD1,200,000	**90.00%**	90.00%	Investment in gas pipeline infrastructure
新奧能源物流有限公司 Xinao Energy Logistics Company Limited#	PRC	USD12,400,000	**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	USD28,200,000	**100.00%**	100.00%	Wholesale and retail of LNG and CNG, piped gas facilities, gas equipment, appliances and others
新奧財務有限責任公司 Finance Company	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	USD6,000,000	**100.00%**	100.00%	Sourcing of compressed pipeline gas and investment in gas pipeline infrastructure and sales of piped gas
新奧燃氣工程有限公司 Xinao Gas Engineering Company Limited#	PRC	USD7,000,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure
新奧(中國)燃氣投資有限公司 Xinao (China)#	PRC	USD231,778,124	**100.00%**	100.00%	Investment holding

All of the above subsidiaries, except for ENN Gas and Xinao (China), are indirectly held by the Company.

57. Particular of Principal Subsidiaries *(continued)*

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 2015 or at any time during the year except for Xinao (China) which has issued the following debt securities.

	2015 RMB million	2014 RMB million
Corporate bonds	**2,987**	498
Medium-term notes	**700**	700
	3,687	1,198

* 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**	
		2015 %	2014 %	**2015 RMB million**	2014 RMB million	**2015 RMB million**	2014 RMB million
Quanzhou City Gas	PRC	**40**	40	**76**	97	**230**	214
Changsha Xinao	PRC	**45**	45	**37**	33	**202**	227
Changzhou Development	PRC	**40**	40	**67**	80	**9**	82
Shijiazhuang Xinao	PRC	**40**	40	**81**	78	**190**	184
Luoyang Xinao	PRC	**30**	30	**61**	63	**263**	216

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	2015 RMB million	2014 RMB million
Non-current assets	**930**	919
Current assets	**327**	341
Current liabilities	**682**	707
Non-current liabilities	**–**	18
Revenue	**3,137**	3,998
Profit and total comprehensive income for the year	**189**	242
Dividends paid to non-controlling interests	**60**	108
Net cash inflow from operating activities	**247**	384
Net cash outflow from investing activities	**(36)**	(103)
Net cash outflow from financing activities	**(192)**	(283)
Net cash inflow (outflow)	**19**	(2)

Changsha Xinao	2015 RMB million	2014 RMB million
Non-current assets	**2,090**	1,961
Current assets	**122**	132
Current liabilities	**1,273**	1,111
Non-current liabilities	**491**	478
Revenue	**497**	478
Profit and total comprehensive income for the year	**82**	74
Dividends paid to non-controlling interests	**62**	90
Net cash inflow from operating activities	**511**	158
Net cash outflow from investing activities	**(241)**	(37)
Net cash outflow from financing activities	**(267)**	(98)
Net cash inflow	**3**	23

57. Particular of Principal Subsidiaries *(continued)*

Changzhou Development	2015 RMB million	2014 RMB million
Non-current assets	**76**	73
Current assets	**298**	383
Current liabilities	**346**	246
Non-current liabilities	**6**	6
Revenue	**1,153**	1,151
Profit and total comprehensive income for the year	**168**	201
Dividends paid to non-controlling interests	**140**	27
Net cash inflow from operating activities	**206**	9
Net cash outflow from investing activities	**(7)**	(5)
Net cash outflow from financing activities	**(251)**	(18)
Net cash outflow	**(52)**	(14)

Shijiazhuang Xinao	2015 RMB million	2014 RMB million
Non-current assets	**1,069**	1,017
Current assets	**351**	735
Current liabilities	**945**	1,293
Revenue	**1,520**	1,304
Profit and total comprehensive income for the year	**203**	194
Dividends paid to non-controlling interests	**75**	47
Net cash inflow from operating activities	**283**	165
Net cash outflow from investing activities	**(96)**	(119)
Net cash outflow from financing activities	**(206)**	(122)
Net cash outflow	**(19)**	(76)

Luoyang Xinao	2015 RMB million	2014 RMB million
Non-current assets	**1,355**	1,145
Current assets	**444**	466
Current liabilities	**754**	876
Non-current liabilities	**170**	15
Revenue	**1,470**	1,513
Profit and total comprehensive income for the year	**203**	209
Dividends paid to non-controlling interests	**14**	14
Net cash inflow from operating activities	**193**	97
Net cash outflow from investing activities	**(92)**	(108)
Net cash outflow from financing activities	**(150)**	(29)
Net cash outflow	**(49)**	(40)

58. Event After Balance Sheet Date

Except for the expirations of the put options of the 2011 Corporate Bonds (Note 41) and the Convertible Bonds (Note 44), no other significant subsequent event occurred after 31 December 2015.

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