ENN 新奥

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

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

Annual Results Announcement For The Year Ended 31 December 2018

Annual Results Highlights:

- Revenue of the Group amounted to RMB60,698 million, representing a significant increase of 25.7% year-on-year;

- Profit attributable to shareholders of the Company increased by 0.6% year-on-year to RMB2,818 million; The adjusted profit attributable to shareholders of the Group after excluding other gains and losses and amortisation of share option expenses increased by 19.8% year-on-year to RMB4,471 million; and

- The Board of Directors recommends a final dividend of HK$1.19 per share.

The Board of Directors (the "**Board**") of ENN Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 together with the comparative audited figures for the corresponding period in 2017. The annual results and the audited consolidated financial statements have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *RMB million*	**2017** *RMB million*
Revenue	3	60,698	48,269
Cost of sales		(51,188)	(39,930)
Gross profit		9,510	8,339
Other income		949	676
Other gains and losses	4	(1,634)	(895)
Distribution and selling expenses		(790)	(635)
Administrative expenses		(2,673)	(2,377)
Share of results of associates		275	129
Share of results of joint ventures		601	505
Finance costs		(637)	(552)
Profit before tax		5,601	5,190
Income tax expense	5	(1,783)	(1,517)
Profit for the year		3,818	3,673
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties arising from the transfer to investment properties		6	4
Fair value loss on equity instruments at fair value through other comprehensive income ("**FVTOCI**")		(7)	-
		(1)	4
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		-	(88)
Fair value loss on available-for-sale ("**AFS**") financial assets		-	(46)
Release of exchange reserve to profit or loss upon disposal of subsidiaries		(40)	-
		(40)	(134)
Other comprehensive expense for the year		(41)	(130)
Total comprehensive income for the year		3,777	3,543
Profit for the year attributable to:			
Owners of the Company		2,818	2,802
Non-controlling interests		1,000	871
		3,818	3,673
Total comprehensive income for the year attributable to:			
Owners of the Company		2,778	2,672
Non-controlling interests		999	871
		3,777	3,543
		RMB	*RMB*
Earnings per share	7		
Basic		2.56	2.59
Diluted		2.56	2.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	2018 RMB million	2017 RMB million
Non-current Assets			
Property, plant and equipment		31,073	25,490
Prepaid lease payments		1,401	1,262
Investment properties		265	246
Goodwill		2,248	192
Intangible assets		3,037	1,681
Interests in associates		3,049	1,505
Interests in joint ventures		3,620	3,929
Other receivables		145	183
Financial assets at fair value through profit or loss ("**FVTPL**")		4,845	5
Equity instruments at FVTOCI		112	-
AFS financial assets		-	4,578
Amounts due from associates		353	278
Amounts due from joint ventures		68	674
Deferred tax assets		1,159	941
Deposits paid for investments		190	35
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		171	104
Restricted bank deposits		639	486
		52,375	41,589
Current Assets			
Inventories		1,331	744
Trade and other receivables	8	8,560	6,068
Contract assets		612	-
Amounts due from customers for contract work		-	553
Prepaid lease payments		39	37
Financial assets at FVTPL		735	4
AFS financial assets		-	528
Amounts due from associates		523	367
Amounts due from joint ventures		1,523	943
Amounts due from related companies		231	112
Restricted bank deposits		62	241
Cash and cash equivalents		7,923	7,972
		21,539	17,569
Assets classified as held for sale		-	57
		21,539	17,626
Current Liabilities			
Trade and other payables	9	7,103	11,217
Contract liabilities		10,490	-
Deferred income		25	243
Amounts due to customers for contract work		-	2,134
Amounts due to associates		351	282
Amounts due to joint ventures		1,693	1,677
Amounts due to related companies		793	642
Taxation payables		782	982
Bank and other loans – due within one year		8,621	1,737
Corporate bonds		2,497	2,996
Unsecured bonds		443	-
Convertible bonds at FVTPL		-	3,635
Financial guarantee liability		-	5
Financial liabilities at FVTPL		219	17
		33,017	25,567
Liabilities associated with assets classified as held for sale		-	38
		33,017	25,605
Net Current Liabilities		(11,478)	(7,979)
Total Assets less Current Liabilities		40,897	33,610

Capital and Reserves		
Share capital	116	112
Reserves	21,269	16,840
Equity attributable to owners of the Company	21,385	16,952
Non-controlling interests	4,169	3,265
Total Equity	25,554	20,217
Non-current Liabilities		
Contract liabilities	3,240	-
Deferred income	520	3,185
Amounts due to joint ventures	970	-
Bank and other loans – due after one year	2,101	523
Corporate bonds	-	2,494
Senior notes	2,491	2,366
Unsecured bonds	4,096	4,316
Financial liabilities at FVTPL	924	81
Deferred tax liabilities	1,001	428
	15,343	13,393
	40,897	33,610

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration of the Group's net current liabilities of approximately RMB11,478 million as at 31 December 2018. A wholly-owned subsidiary of the Company has been approved by China Securities Regulatory Commission on 10 December 2018 to issue corporate bonds amounting to RMB5,000 million and issued the three-year corporate bonds of RMB500 million in January 2019 and RMB1,000 million in March 2019. Except for the unutilised issuance quota of the corporate bonds, the Group has unutilised credit facilities of approximately RMB8,779 million at the date of approval of the consolidated financial statements, of which approximately RMB5,574 million are subject to renewal within twelve months from the end of the reporting period. The Directors are therefore 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 2018 have been prepared on a going concern basis.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the effect of HKFRS 9 and HKFRS 15 on the disclosure of consolidated financial statements, the application of the above new and 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.

Impacts and changes in accounting policies on the adoption of HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017** *RMB million*	**Reclassification** *RMB million*	**Carrying amounts under HKFRS 15 at 1 January 2018 *** *RMB million*
Current Assets				
Contract assets	a & c	-	683	683
Amounts due from customers for contract work	a	553	(553)	-
Trade and other receivables	c	6,068	(130)	5,938
Current Liabilities				
Contract liabilities	a, b & d	-	8,931	8,931
Amounts due to customers for contract work	a	2,134	(2,134)	-
Trade and other payables	d	11,217	(6,569)	4,648
Deferred income	b	243	(228)	15
Non-current Liabilities				
Contract liabilities	b	-	2,867	2,867
Deferred income	b	3,185	(2,867)	318

** The amounts in this column are before the adjustments from the application of HKFRS 9.*

Notes:

a. For construction and installation contracts, the Group continues to recognise revenue over time and apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from/to customers for contract work of RMB553 million and RMB2,134 million were reclassified to contract assets and contract liabilities respectively.

b. At the date of initial application, included in the deferred income was RMB3,095 million which represents connection fees and subsidies received from certain customers for the construction of main gas pipelines and related to maintaining the ongoing deliverability to supply gas at the discretion of the customers, and hence such balance was reclassified to contract liabilities.

c. At the date of initial application, unbilled revenue of RMB130 million arising from construction and installation contracts are conditional on the confirmation of acceptance by customers on construction service, and hence such balance was reclassified from trade and other receivables to contract assets.

d. At the date of initial application, considerations received from customers of RMB6,569 million in respect of the sale of goods or the construction and installation contracts previously included in trade and other payables were reclassified to contract liabilities.

Impacts and changes in accounting policies on the adoption of HKFRS 9 “Financial Instruments”

In the current year, the Group has applied HKFRS 9 “Financial Instruments”, and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“**ECL**”) for financial assets and (3) general hedge accounting.

In accordance with the transition provisions set out in HKFRS 9, the Group has applied HKFRS 9 by applying the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application (1 January 2018).

	Notes	**AFS financial assets** *RMB million*	**Financial assets at FVTPL required by HKAS 39/ HKFRS 9** *RMB million*	**Equity instruments at FVTOCI** *RMB million*	**Receivables*** *RMB million*	**Contract assets** *RMB million*	**Revaluation reserve** *RMB million*	**Retained earnings** *RMB million*
Closing balance at 31 December 2017 - HKAS 39		5,106	9	-	8,625	-	29	(14,637)
Effect arising from initial application of HKFRS 15		-	-	-	(130)	683	-	-
Effect arising from initial application of HKFRS 9:								
Reclassification								
From AFS financial assets	a	(5,106)	4,998	108	-	-	(44)	44
From trade and other receivables	b	-	275	-	(275)	-	-	-
Remeasurement								
Impairment under ECL model	c	-	-	-	(2)	(1)	-	3
From cost less impairment to fair value	a	-	59	1	-	-	(1)	(59)
Opening balance at 1 January 2018 - HKFRS 9		-	5,341	109	8,218	682	(16)	(14,649)

** The amounts in this column included trade and other receivables and amounts due from joint ventures, associates and related companies.*

Notes:

a. Reclassification from AFS financial assets

From AFS financial assets to FVTPL

At the date of initial application of HKFRS 9, the Group’s equity investments of RMB4,998 million were reclassified from AFS financial assets to financial assets at FVTPL. The fair value gains of RMB59 million relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018. The fair value losses of RMB44 million relating to those investments previously carried at fair value were transferred from revaluation reserve to retained earnings as at 1 January 2018.

From AFS financial assets to FVTOCI

Except for the equity investments reclassified as financial assets at FVTPL, the Group elected to present in other comprehensive income the fair value changes of all other equity investments previously classified as AFS financial assets, of RMB108 million relating to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB108 million were reclassified from AFS financial assets to equity instruments at FVTOCI. The fair value gains of RMB1 million relating to those unquoted equity investments previously carried at cost less impairment were adjusted to revaluation reserve as at 1 January 2018.

b. Reclassification from trade and other receivables

From trade and other receivables to FVTPL

At the date of initial application of HKFRS 9, the Group's investments in wealth management products of RMB275 million were reclassified from other receivables to financial assets at FVTPL because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

c. Impairment under ECL model

The Group applies the simplified approach under HKFRS 9 to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and amounts due from joint ventures, associates and related companies arising from contracts with customers. To measure the ECL, contract assets, trade receivables and amounts due from joint ventures, associates and related companies arising from contracts with customers have been grouped based on shared credit risk characteristic. The contract assets relate to unbilled work in progress and have substantially the same risk characteristic as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the expected loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost including restricted bank deposits, bank balances, loan receivables, other receivables, bills receivable and non-trade nature of amounts due from joint ventures, associates and related companies are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB3 million has been recognised in retained earnings.

All loss allowances of financial assets at amortised cost as at 31 December 2017 is reconciled to the opening loss allowances as at 1 January 2018 is as follows:

	Contract assets *RMB million*	**Receivables** *RMB million*
At 31 December 2017 - HKAS 39	-	275
Amounts remeasured through opening retained earnings	1	2
At 1 January 2018 – HKFRS 9	1	277

3. SEGMENT INFORMATION

Information reported to the chief operating decision makers, being the chief executive officer of the Company (the "**CEO**"), for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segment under HKFRS 8 "Operating Segments" are construction and installation, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, sales of integrated energy and services, sales of gas appliances and sales of material. Segment profit reviewed by the CEO represents the gross profit earned by each segment.

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

Inter-segment sales are charged at prevailing market rates.

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

2018

	Construction and installation	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of integrated energy and services	Sales of gas appliances	Sales of material	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	7,376	42,038	2,886	26,147	1,114	1,097	3,789	84,447
Inter-segment sales	(1,494)	(10,604)	(48)	(8,040)	(109)	(662)	(2,792)	(23,749)
Revenue from external customers	5,882	31,434	2,838	18,107	1,005	435	997	60,698
Segment profit before depreciation and amortisation	3,659	5,667	295	233	196	296	254	10,600
Depreciation and amortisation	(203)	(727)	(100)	(5)	(53)	(2)	-	(1,090)
Segment profit	3,456	4,940	195	228	143	294	254	9,510

2017

	Construction and installation	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of integrated energy and services	Sales of gas appliances	Sales of material	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	7,133	31,540	3,187	18,153	308	882	4,744	65,947
Inter-segment sales	(1,179)	(7,592)	(85)	(6,275)	(14)	(562)	(1,971)	(17,678)
Revenue from external customers	5,954	23,948	3,102	11,878	294	320	2,773	48,269
Segment profit before depreciation and amortisation	3,931	4,628	301	221	31	124	35	9,271
Depreciation and amortisation	(196)	(590)	(124)	(4)	(16)	(2)	-	(932)
Segment profit	3,735	4,038	177	217	15	122	35	8,339

4. OTHER GAINS AND LOSSES

	2018 *RMB million*	2017 *RMB million*
Gain on dilution of equity interests in joint ventures	72	-
Gain on remeasurement of interests on joint ventures previously held (note a)	111	-
Increase in fair value of investment properties	9	10
Gain (loss) on repurchase and redemption of convertible bonds at FVTPL	34	(4)
Fair value loss of:		
- Convertible bonds at FVTPL	(249)	(278)
- Financial assets/liabilities at FVTPL	(797)	(314)
Impairment loss on property, plant and equipment	-	(478)
Impairment losses recognised (net of reversal) on receivables	(64)	(145)
(Loss) gain on foreign exchange, net (note b)	(770)	349
Release of exchange reserve to profit or loss upon disposal of subsidiaries	40	-
Others	(20)	(35)
	(1,634)	(895)

Notes:

a. The amount was mainly derived from the Group's acquisition of further 50% of the registered capital of two joint ventures previously held by the Group during the year.

b. Included in the amount for the year ended 31 December 2018 is an exchange loss of approximately RMB707 million (2017: exchange gain of approximately RMB338 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD and HK$ to RMB.

5. INCOME TAX EXPENSE

	2018 *RMB million*	2017 *RMB million*
Current tax	1,586	1,576
Underprovision in prior years	9	44
Withholding tax	158	101
	1,753	1,721
Deferred tax	30	(204)
	1,783	1,517

The charge substantially represents People's Republic of China ("**PRC**") Enterprise Income Tax for both years.

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

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprise", which are subject to PRC Enterprise Income Tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years and those subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) based on the estimated assessable profits for the year.

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:

	2018 *RMB million*	2017 *RMB million*
Profit before tax	5,601	5,190
Tax at the PRC Enterprise Income Tax rate of 25% (2017: 25%)	1,400	1,298
Tax effects of share of results of associates	(69)	(32)
Tax effects of share of results of joint ventures	(150)	(126)
Tax effects of income not taxable for tax purpose	(207)	(217)
Tax effects of expenses not deductible for tax purpose	668	417
Tax effects of tax losses not recognised	154	78
Utilisation of tax losses previously not recognised	(50)	(119)
Tax effects of deductible temporary differences not recognised	(7)	132
Tax concession and exemption granted to certain PRC subsidiaries	(146)	(62)
Underprovision in respect of prior years	9	44
Withholding tax on undistributed profit of PRC entities	181	104
Income tax charge for the year	1,783	1,517

6. DIVIDEND

	2018 *RMB million*	2017 *RMB million*
Final dividend paid in respect of previous financial year	952	775

Notes:

a. 2017 final dividend of HK$1.08 (equivalent to approximately RMB0.90) per ordinary share or approximately RMB952 million in aggregate was paid during the year ended 31 December 2018.

b. The final dividend in respect of 2018 of HK$1.19 (equivalent to approximately RMB1.04) per ordinary share with total amount of HK$1,338 million (2017: HK$1,177 million) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming Annual General Meeting ("**AGM**").

7. EARNINGS PER SHARE

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

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2018 and 2017 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.

	2018	2017
Profit for the year attributable to the owners of the Company (RMB million)	2,818	2,802
Weighted average number of ordinary shares	1,099,639,474	1,081,956,725
Basic earnings per share (RMB)	2.56	2.59

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share issuance in connection with an acquisition of subsidiaries on 16 August 2018.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2018 and 2017 are calculated assuming all dilutive potential ordinary shares were converted, except for the conversion of the Company's outstanding convertible bonds since their conversion would result in an increase in earnings per share.

	2018	**2017**
Earnings		
Earnings for the purpose of diluted earnings per share (RMB million)	2,818	2,802
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,099,639,474	1,081,956,725
Effect of dilutive potential ordinary shares:		
- share options	2,864,964	878,186
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,102,504,438	1,082,834,911
Diluted earnings per share (RMB)	2.56	2.59

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables of RMB2,686 million (2017: RMB2,450 million). 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:

	2018 *RMB million*	**2017** *RMB million*
Within three months	1,905	2,120
4 to 6 months	164	140
7 to 9 months	230	167
10 to 12 months	171	23
More than one year	216	-
	2,686	2,450

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB5,095 million (2017: RMB3,182 million). The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2018	**2017**
	RMB million	*RMB million*
Within three months	3,253	2,678
4 to 6 months	930	174
7 to 9 months	121	72
10 to 12 months	86	38
More than one year	705	220
	5,095	3,182

BUSINESS REVIEW

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

	For the year ended 31 December		Increased/ (Decreased) by
	2018	**2017**	
<u>Results</u>			
Revenue *(RMB million)*	**60,698**	48,269	25.7%
Gross profit *(RMB million)*	**9,510**	8,339	14.0%
Profit attributable to owners of the Company *(RMB million)*	**2,818**	2,802	0.6%
Earnings per share – Basic *(RMB)*	**2.56**	2.59	(1.2%)
<u>Operational data</u>#			
Number of city-gas projects in China	**187**	172	15
Urban population coverage *(thousand)*	**94,569**	84,693	11.7%
New natural gas customers developed during the year:			
– residential households *(thousand)*	**2,302**	2,074	11.0%
– C/I customers *(sites)*	**29,226**	23,200	6,026
– installed designed daily capacity for C/I customers *(thousand m^3)*	**18,652**	16,718	11.6%
Accumulated number of customers:			
– residential households *(thousand)*	**18,523**	16,221	14.2%
– C/I customers *(sites)*	**121,105**	91,879	29,226
– installed designed daily capacity for C/I customers *(thousand m^3)*	**106,553**	87,901	21.2%
Piped gas penetration rate	**58.8%**	57.5%	1.3ppt
Unit of natural gas sold to residential households *(million m^3)*	**2,885**	2,148	34.3%
Unit of natural gas sold to C/I customers *(million m^3)*	**13,225**	10,931	21.0%
Unit of natural gas sold to vehicles *(million m^3)*	**1,260**	1,396	(9.7%)
Wholesale of gas volume *(million m^3)*	**5,958**	5,141	15.9%
Number of natural gas processing stations	**185**	173	12
Combined daily capacity of natural gas processing stations *(thousand m^3)*	**123,640**	104,370	18.5%
Total length of existing intermediate and main pipelines *(km)*	**46,397**	39,146	18.5%
Accumulated number of integrated energy projects in operation	**62**	31	31
Sales volume of integrated energy *(million kWh)*	**2,886**	1,100	162.4%

\# The Group's operational data disclosed in the announcement included the data of its subsidiaries, joint ventures and associates.

Results of the Year

The global political and economic situation was complicated in 2018. China's economy was facing a downward pressure with the slowdown in global economic growth coupled with the growing tension between the United States and China. Despite the challenging internal and external environment, the government's determination to promote environmental pollution control remains firm. During the year, the apparent natural gas consumption of China amounted to 280.3 billion cubic metres, representing an increase of 18.1% year-on-year. By seizing opportunities arising from the government's determination to control air pollution and the deepening of energy reform in China, the Group strived to expand its natural gas sales and accelerated its development of integrated energy business based on customers' diversified energy needs. The Group also focused on implementing management restructuring to improve its operational management and managed to achieve all of the business guidances set previously.

For the year ended 31 December 2018, total volume of natural gas sales of the Company, together with its subsidiaries, joint ventures and associates, increased by 18.9% year-on-year to 23,328 million cubic metres.

Revenue of the Group increased by 25.7% to RMB60,698 million, representing an increase of RMB12,429 million from RMB48,269 million last year. In which, revenue from sales of piped gas increased by 31.3% year-on-year to RMB31,434 million, accounting for 51.8% of total revenue; and the revenue from wholesale of gas increased by 52.4% to RMB18,107 million, accounting for 29.8% of total revenue. The increase in total revenue was driven by volume growth of gas sales and the increase in average gas selling price. The revenue of the joint ventures and associates increased by 23.6% and 53.5% year-on-year to RMB19,461 million and RMB7,435 million respectively. Had the revenue of the joint ventures and associates been consolidated, the total revenue for the year ended 31 December 2018 would have been approximately RMB87,594 million.

Gross profit of the Group was RMB9,510 million, representing a year-on-year increase of 14.0%. Gross profit margin was 15.7%, down 1.6 percentage points year-on-year, mainly due to the change of revenue mix. The share of revenue attributable to wholesale gas business with lower gross profit margin increased by 5.2 percentage points, while the share of revenue attributable to construction and installation with higher gross profit margin, decreased by 2.6 percentage points.

The profit of the Group was RMB3,818 million, representing a year-on-year increase of 3.9%. The contribution to the Group's profit for the year by the joint ventures and associates amounted to RMB601 million and RMB275 million, representing an increase of 19.0% and 113.2%. Net profit margin was 6.3%, down 1.3 percentage points year-on-year. The slight decrease in the net profit margin was mainly attributable to the exchange losses, and the fair value losses of convertible bonds and derivative financial instruments.

Profit attributable to shareholders of the Company was RMB2,818 million, representing an increase of 0.6% year-on-year. The adjusted profit attributable to shareholders of the Group after excluding other gains and losses and amortisation of share option expenses increased by 19.8% year-on-year to RMB4,471 million.

Retail Gas Sales Business

Commercial and Industrial Market

Benefiting from the accelerated promotion of "coal-to-gas" conversion and the implementation of various favourable industry policies in 2018, as well as a strong demand for natural gas from new and existing commercial and industrial (C/I) customers, natural gas sold to C/I customers amounted to 13,225 million cubic metres, representing an increase of 21.0% year-on-year. In which, natural gas sold to industrial customers was 10,993 million cubic metres, an increase of 21.6% year-on-year. Natural gas sold to commercial customers was 2,232 million cubic metres, an increase of 18.2% year on year. Gas sold to industrial customers and commercial customers accounted for 63.3% and 12.8% of the retail natural gas sales volume respectively. During the year, the Group developed a total of 29,226 new C/I customers (installed gas appliances with designed daily capacity of 18,652,070 cubic metres). The average installation fee was RMB97 per cubic metre. As of 31 December 2018, the total number of C/I customers served by the Group was 121,105 (installed gas appliances with designed daily capacity of 106,552,583 cubic metres).

Most of the Group's projects are located in key areas where air pollution control and prevention measures are enforced. Local governments in these areas executed stringent environmental policies and enterprises are required to take measures to reduce emissions. In this context, replacing heavily-polluting fuels with clean energy such as natural gas is one of the most efficient ways. During the year, incremental designed daily capacity from newly developed coal-to-gas customers reached approximately 6,658,800 cubic metres per day, accounting for 35.7% of that from newly developed C/I customers. The Group also adopted a flexible pricing strategy by giving discount to customers with stable and large gas consumption volume, and those with peak-shaving or interruptible gas needs, in an attempt to continue expanding gas sales volume while supplying gas steadily and safely. Looking forward, the Group will continue to tap the energy needs from C/I customers, develop new customers with the provision of integrated energy solutions and energy-saving services, and develop more quality commercial customers that are less price sensitive so as to optimise the customer mix.

Residential Market

Natural gas sold to residential customers increased significantly by 34.3% to 2,885 million cubic metres, accounting for 16.6% of retail gas sales volume. The volume growth was mainly driven by the ramping up of gas consumption by newly developed residential customers and natural gas space heating users. During the year, the Group developed 2,301,600 residential households, representing an increase of 11.0% year-on-year, in which new buildings, existing buildings and rural coal-to-gas conversion accounted for 70.2%, 9.9% and 19.9% of newly developed residential households respectively. The Group cumulatively developed 1.35 million new natural gas space heating users, representing an increase of 530,000 year-on-year. As of 31 December 2018, the number of household coverage of the Group's city-gas projects in China reached 31,523,000, of which 18,522,733 residential customers were developed, raising the average piped gas penetration rate from 57.5% in 2017 to 58.8%.

China is sprinting towards a "moderately well-off society". In this context, the large-scale urbanisation will be carried out with the utilisation of clean energy so as to improve the environment as well as to meet the demand arising from people's pursuit of quality life. This will provide the Group with enormous opportunities for developing residential customers market. In addition, as the overall penetration rate of the Group's projects remains low, the market potential for developing existing buildings remains huge. Apart from city areas, the Group will also prudently carry out rural coal-to-gas conversion in areas with higher affordability as part of its efforts to assist the local governments to achieve the replacement of scattered coals for the prevention and controlling of air pollution.

Transportations Energy Business

In 2018, volume of gas sold to vehicle refuelling station decreased by 9.7% to 1,260 million cubic metres, accounting for 7.3% of retail gas sales volume. However, thanks to the rising sales price of gasoline and diesel, selling prices of vehicle gas were increased, coupled with the effective cost control of gas procurement, dollar margin of vehicle gas sales increased. During the year, gross margin of vehicle gas refuelling business increased by 10.2% to RMB195 million. The Group kept optimising the deployment of gas refuelling stations by shutting down inefficient stations and raising the operational efficiency and profitability of the remaining stations, so as to cope with the challenging operating environment. In December 2018, 11 departments including the Ministry of Ecology and Environment issued "Action Plan for Combating the Control of Pollution by Diesel Trucks", requiring the use of gas-fuelled vehicles which are able to meet the national VI Emission Standards. The Group will continue to optimise the deployment of refuelling stations by taking advantage of the opportunities arising from China's action to phase out and upgrade diesel trucks which only comply with national III or below Emission Standards, with a focus on key locations such as highway service areas and large-scale logistics parks. The Group believes that LNG refuelling business still has a large room for growth.

During the year, the Group continued to explore the LNG bunkering market and provided pre-cooling and LNG bunkering services for vessels from Guangzhou Shipyard International Co., Ltd., Zhoushan Pacific Shipyard and Wenchong Shipyard etc. It also entered into a memorandum of intent for cooperation with energy and container shipping companies such as Total, Shell, Hapag-Lloyd and Maersk on the joint development of LNG bunker vessel for its international LNG bunkering business. The Group will also expand domestic inland waterway refuelling, and continue to foster alliance and collaboration with shipping companies, port and shipping authorities and various provincial and municipal transportation departments, aiming in facilitating the development of newly built and retrofitted vessels market, and exploring integrated clean energy solutions for vessels.

Energy Trading Business

Leveraging on its well-established upstream resources network, smart dispatching system, and one of the largest LNG transportation fleets in China, the Group distributed LNG to downstream customers such as small-scale gas distributors, industrial customers outside its city-gas concessions, LNG refuelling stations and power plants etc. The Group's gas supply became more abundant and diversified following the progressive execution of the three long-term LNG import contracts signed with Chevron, Origin and Total started from the second half of 2018. This not only assures a stable operation of natural gas projects in the event of gas supply shortage in the winter, but also boosts the development of energy trading business through expanding its customer base and distribution channels, which will significantly enhance the Group's bargaining power in securing gas sources.

During the year, gas sales volume of energy trading business increased by 15.9% to 5,958 million cubic metres, while revenue increased by 52.4% to RMB18,107 million. The Group maintained a leading market share in domestic LNG trading market.

Integrated Energy Business

Local governments are under pressure from China's economic transformation and stringent environmental protection requirements. In this context, improving energy efficiency, reducing energy consumption per unit of GDP and reducing pollutant emissions have become major performance indicators of local governments. These indicators can be achieved only by optimising energy structure and improving the utilisation of energy. The Group successfully acquired Ubiquitous Energy Network Technology Co., Ltd last year, and secured leading core technologies in terms of integrated energy planning, designing, operation and maintenance, which substantially strengthened the Group's competitive advantage in developing integrated energy business. The integrated business model won strong demand from local governments and customers, hence, entering into a rapid development stage. During the year, the Group had 31 new integrated energy projects in operation. As of 31 December 2018, the aggregate number of integrated energy projects in operation rose to 62, including 18 industrial parks and 44 stand-alone C/I sites, which drove the sales of integrated energy including cooling, heating, electricity and steam amounting to 2,886 million kWh, and generated a revenue of RMB1,005 million, representing a substantial year-on-year increase of 241.8%.

Among these projects, Zhejiang Yuhang Economic and Technological Development Zone is the Group's first national-level industrial park, which breaks through the barriers of city-gas concession rights, with more than 200 Fortune 500 enterprises and industry-leading companies. The industrial park was put into operation in March 2018, the Group already sold a total of 612 million kWh of integrated energy including steam and heating to industrial customers in the park in only 10 months, generating a revenue of RMB196 million.

During the year, the Group signed 257 new integrated energy projects, with a potential integrated energy demand of more than 100 billion kWh per year. The total number of projects in operation, under construction and newly signed increased to 323, with a potential integrated energy demand of 122 billion kWh per year. 163 projects are located outside the Group's city-gas concessions, while 180 projects are provincial-level or above industrial parks with a larger demand for energy. Since there are quality C/I customers operating in the industrial parks, revenue can be generated immediately once these projects are put into operation, laying foundation for integrated energy business' rapid growth in the future.

The Group will continue to target industrial parks and quality stand-alone C/I sites as its core market, and acquire new projects in a flexible way depending on their industries, resources, investment models as well as local energy policies. It will also actively promote power grid connection, replacement of coal fuel and secure upstream gas supply, so as to execute the projects well and accelerate the revenue generation from newly-signed projects. The Group will also look into various energy needs of existing gas customers to increase the synergy between conventional gas business and the integrated energy business.

New Gas Projects Development

During the year, the Group acquired 18 new projects and 34 new concessions around its existing projects, with an additional connectable population of 3,111,000. As of 31 December 2018, the Group managed 187 city-gas projects in China, covering a connectable population of 94.57 million.

Leveraging on the access to Zhoushan LNG receiving terminal constructed by the Company's major shareholder for gas import, the Group successfully acquired the city-gas concession right of Zhoushan City and Zhoushan Green Petrochemical Base in Zhejiang. It also expanded its city-gas concession to Shanxi Province by acquiring the operation right in Huairen, which laid the foundation for its further expansion in the province. Furthermore, capitalising on the opportunity arising from governments' initiative to relocate industrial plants to newly developed industrial parks, the Group acquired a number of industrial parks including Jikou Emerging Industrial Park in Fujian Sanming Taiwan Business Investment Zone, Jishan Industrial Park in Jiangle Economic Development Zone and Mingxi Economic Development Zone during the year, with a number of large energy consumers such as Jinming Rare Earth, Hexafluo Chemicals and Tonghai Nickel. The above newly-acquired projects are expected to contribute more than 2.5 billion cubic metres of gas sales volume to the Group when they mature.

A number of small and medium-sized gas companies with single business model have been under mounting pressure in recent years due to the regulation on gas distribution returns, the gas shortage as well as the rising financing costs. The Group will continue to look for M&A opportunities that may bring synergy to its existing projects and strive to expand the operational areas of city-gas business leveraging on its good corporate image, excellent safety operation capability and the integrated energy business model.

Gas Appliance Sales Business

Leveraging on its brand influence and the opportunities arising from providing construction and installation services to residential customers in old buildings, new buildings, and rural coal-to-gas areas, the Group intensively promoted gas appliances such as cooking stoves, space heaters, water boilers, range hoods and disinfection cabinets through its online and offline platforms. During the year, the Group sold a total of 339,000 gas appliances, representing an increase of 49.3% year-on-year, with segment revenue increasing by 35.9% to RMB435 million. The rise of gas appliances sales was primarily attributable to the growth of newly developed residential users, the improvement of their living quality, as well as the increased awareness of the Group's inhouse brand "Gratle". The Group will continue to strengthen its marketing efforts to further increase its market share.

Capital Market Awards

With steady growth in operating results and continuous enhancement of management capability, the Group received the following honours in 2018:

- The title of "Most Honored Company", "Best IR Company (ranked No. 2 overall)", "Best Corporate Governance (ranked No. 2 overall)", "Best Analyst Days (ranked No. 2 overall)" and "Best IR Professional (ranked No. 3 overall)" in Power Sector in 2018 All-Asia Executive Team Rankings by Institutional Investor, an international financial magazine highly recognised by investment professionals;
- "Certificate of Excellence" in the "4th Investor Relations Awards 2018" organised by Hong Kong Investor Relations Association;
- "China's Top 500 List" 2018 by Fortune magazine;
- "2018 China Energy Innovation Breakthrough Award" and "2018 Excellent Clean Energy Integrated Service Provider" at the 4th China Energy Development and Innovation Forum; and
- "Outstanding Enterprise Award" at the 2018 National Energy Internet Conference.

FINANCIAL RESOURCES REVIEW

Financial Resources and Liquidity

An analysis of the Group's cash, current and non-current debts is as follows:

	31 December 2018 *RMB million*	31 December 2017 *RMB million*	Increased/ (Decreased) by *RMB million*
Bank balances and cash (excluding restricted bank deposits)	**7,923**	7,972	(49)
Long-term debts (including bonds)	**8,688**	9,699	(1,011)
Short-term debts (including bonds)	**11,561**	8,368	3,193
Total debts	**20,249**	18,067	2,182
Net debts[1]	**12,326**	10,095	2,231
Total equity	**25,554**	20,217	5,337
Net gearing ratio[2]	**48.2%**	49.9%	(1.7ppt)
Net current liabilities	**11,478**	7,979	3,499
Unutilised credit facilities	**12,110**	8,851	3,259

Borrowings Structure

The Group has been adopting a prudent management policy on financial resources to ensure the stability of the Group's capital and debts structure. As at 31 December 2018, the Group's total debts amounted to RMB20,249 million (2017: RMB18,067 million). Short-term debts (including bonds) amounted to RMB11,561 million (2017: RMB8,368 million) while the remaining debts were long-term debts with terms more than one year. Except for the bank loans amount to RMB439 million that are secured by assets with a carrying value of RMB342 million, all other debts are unsecured. The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB7,923 million (2017: RMB7,972 million). As at 31 December 2018, the Group's net gearing ratio was 48.2% (2017: 49.9%), and the fixed-rate debts to total debts ratio was 80.5% (2017: 94.3%).

As at 31 December 2018, the Group's major bonds were listed below:

Major bonds	Currency	Maturity date	Interest rate	**Principal**
Five-year Unsecured Bonds	USD	23 October 2019	3.25%	**65 million**
Three-year Corporate Bonds	RMB	2 December 2019	3.55%	**2,500 million**
Ten-year Senior Notes	USD	13 May 2021	6.00%	**366 million**
Five-year Unsecured Bonds	USD	24 July 2022	3.25%	**600 million**

The Group seeks to maintain strict control over the debt level and strike a balance between duration of loan and cost of financing. In managing long-term borrowings, the Group will seek and spread the maturity dates evenly over different years as possible in order to reduce the time pressure and cost of refinancing.

Net current liabilities

The Group's current liabilities include a large amount of prepayment of gas fee, and construction and installation contracts. These funds are stable and will not be returned, therefore the Group will invest the funds in development of new projects and maintain a reasonable cash level, resulting in net current liabilities.

As at 31 December 2018, the Group has two bonds expiring within one year and some short-term loans have not yet been replaced by long term debts due to market factors, resulting higher net current liabilities as compared to last year. A wholly-owned subsidiary of the Company has been approved by China Securities Regulatory Commission on 10 December 2018 to issue corporate bonds amounting to RMB5,000 million. Subsequent to year end, the wholly-owned subsidiary issued the three-year corporate bonds amounting to

[1]Net debts = Total debts - Bank balances and cash (excluding restricted bank deposits)
[2]Net gearing ratio = Net debts / Total equity

RMB500 million and RMB1,000 million in January and March 2019 respectively. As at the date of this announcement, the unutilised quota for bond issuance was RMB3,500 million. The Group will continue to monitor market conditions and consider replacing more short-term loans by long-term loans at right time in order to improve the position of net current liabilities.

As the Group has stable operating cash flow, high quality current assets and good credit ratings, plus sufficient cash on hand, unutilised banking facilities and debt issuance quota, the Directors are satisfied that the Group is able to meet its working capital requirements and future capital expenditure.

Credit Rating

During the year, Standard & Poor's upgraded its credit rating on the Group to BBB+ and issued a "stable" outlook. The rating reflects the wide recognition of the Group's sound financial performance and proven development strategies by the market. It is also believed that the finance cost of the Group will be further reduced. Meanwhile, both Moody's and Fitch Ratings continued to issue investment-grade credit ratings to the Group. Moody's maintained Baa2 rating and "stable" outlook while Fitch Ratings maintained BBB rating and "stable" outlook. In China, Xinao (China) Gas Investment Company Limited, a wholly-owned subsidiary of the Company responsible for domestic business investment, was awarded the highest AAA credit rating and a "stable" outlook by the United Credit Rating Co., Ltd. It is believed that the good credit ratings will provide the Group with sufficient financial resources for its long-term development.

Contingent liabilities

As at 31 December 2018, the Group has no significant contingent liabilities.

Financial Guarantee Liability

As at 31 December 2018, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures of approximately RMB203 million (2017: RMB126 million).

Commitments

(a) Capital commitments

	2018 *RMB million*	**2017** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	1,113	643
Capital commitments in respect of		
- investments in joint ventures	212	207
- investments in associates	219	86
- other equity investments	92	86

(b) Other commitments

Since the year ended 31 December 2016, the Group has commitments to acquire liquefied natural gas ("**LNG**") from certain suppliers. The delivery of LNG under such arrangements commenced in 2018 and last for 5 to 10 years. The Group is obliged to make "take-or-pay" payment to suppliers for the quantity contracted but not delivered.

In the opinion of the Directors, these LNG will be utilised to satisfy the demand of domestic natural gas consumption from both the Group's piped gas customers and wholesale customers. The Directors determined that such LNG purchase arrangements are entered into and continued to be held for the purpose of the receipt of a non-financial item in accordance with the Group's expected purchase, sale and usage. Accordingly, the LNG purchase arrangements are not considered as derivative financial instruments within the scope of

HKFRS 9 since the initial recognition.

The relevant purchase prices of these arrangements will be determined by reference to certain variables, such as petroleum price indexes prevailing at the market, and are denominated in USD. The Directors assessed the economic characteristics and risks of the embedded derivatives and concluded that they are closely related to the economic risks and characteristics of the relevant host contracts. Accordingly, the embedded derivatives are not separated from the LNG purchase arrangements as derivative financial instruments recognised in the consolidated financial statements.

Foreign Exchange Risk Management

As the major operations of the Group are in China, revenues and expenses are mainly denominated in RMB, therefore, the Group is not exposed to significant foreign exchange risk in its operation. The Group’s foreign exchange risk mainly arises from bonds and loans denominated in foreign currencies and international LNG procurement business settled in USD. The Group has established corresponding foreign exchange risk management policies so as to prudently manage and mitigate the impact of exchange rate fluctuation on the Group’s operation and cash flows. The Group will closely monitor market interest rates, exchange rates, international oil prices, trend of crude oil price indices and macroeconomies on an ongoing basis, so as to refine the Group’s strategy on foreign debt financing (including financing manner, currency, interest rate, terms, etc.) as appropriate and to use appropriate foreign currency derivative instruments for hedging under favorable market conditions.

Foreign exchange risk arising from bonds and loans denominated in foreign currencies

As at 31 December 2018, the principal amount of the Group’s borrowings denominated in foreign currencies amounted to USD1,806 million (2017: USD1,550 million) and HK$546 million (2017: nil), which are equivalent to approximately RMB12,349 million (2017: RMB10,579 million) and RMB478 million (2017: nil) respectively, and among which 56.4% (2017: 66.2%) of long-term USD debts has been hedged against the foreign exchange risk. The Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. The terms and clauses of which are in line with that of the Group’s foreign bonds. Such foreign currency derivative contracts effectively eliminate the foreign exchange risk arising from the interest and principal payments of such foreign debts. The Group will continue to monitor the foreign exchange market and proceed to hedge the remaining unhedged foreign debts in due course.

Commodity Price Risk Management

International LNG Procurement Contracts

The international LNG procurement contracts that the Group signed with a term of five to ten years have been executed progressively from the second half of 2018. Pricing of these contracts was mainly oil-linked. To cope with the risks associated with commodity prices fluctuations, the Group established a sound risk control policy. The Group’s policy is to reduce exposure to LNG price risk by hedging a reasonable percentage of its expected annual LNG deliverable volume, so as to stabilise its LNG procuring cost. The Group uses derivatives including swaps and options to achieve its desired hedging position.

Currently, the Group’s LNG hedging covers 5 years of expected import volume and mainly hedges against Brent oil price. The international oil price began in a fluctuating upward trend and dropped sharply in the fourth quarter of 2018 and then reached a trough at year end, resulting in a hedging loss of RMB745 million, in which an unrealised fair value loss and realised profit were RMB748 million and RMB3 million respectively. The Group’s operating cash flows in current year was not affected by the hedging activities. Subsequent to the year end, the Brent oil price rose up gradually, hence the Group will recognise an unrealised fair value gain.

OUTLOOK

Looking ahead, 2019 will be a year of opportunities and challenges. The market expects international oil prices continue to fluctuate, while the US-China economic relationship and trade deals remain ambivalent, which will create uncertainties for China’s macro economy. At the Central Economic Work Conference held in December 2018, the government signalled to the market its dedication to deepen reforms, which include the promotion of reforms in state-owned enterprises, accelerating the reforms in fiscal and taxation systems as well as the financial system, reducing corporate costs, etc. It is believed that these reformative measures will play an important role in establishing a stable growth for China’s economy in the long run.

A New Era of Energy Reform

The report of China’s 19th National Congress placed a lot of priority on improving ecological environment and required the country’s development to be environment-friendly. It proposed that building a beautiful China would be an important direction for the country’s future course. Transitioning to a stage of high-quality development, the government is committed to reducing energy consumption per unit of GDP. Last year, the energy intensity was successfully reduced by 3.1%, exceeding the preliminary target. Meanwhile, Premier Li Keqiang clearly stated in the 2019 Government Work Report that the energy consumption per unit of GDP must be further reduced by 3% during the year. It means that China is stepping up plans to develop a clean, low-carbon and highly efficient energy system. The natural gas sales and integrated energy business of the Group which share the same vision is in line with the country’s energy reform strategies. According to the “Implementation Opinions on the Integration and Optimisation of Demonstrative Project Construction” issued by The National Development and Reform Commission and The National Energy Administration, by 2020, the usage of cascade utilisation of integrated energy in existing industrial parks should be 30%, and 50% for new industrial parks. According to industry experts, the market size of integrated energy sales and services in China is expected to exceed RMB4 trillion, offering huge growth potential to market players.

Subsequently, the government announced a series of publications on natural gas market reform and environmental protection policies to reaffirm its commitment to the sustainable development of the natural gas market. For example, the “Opinions on Accelerating the Construction of Gas Storage Facilities and Improving Regulations on Market Mechanism and Ancillary Services for Gas Storage and Peak Shaving”, the “Notice on Adjusting the City-gate Prices for Residential Users”, the “Three-year Action Plan to Win the Blue Sky Defense War”, and the “Measures for the Supervision and Administration of Fair Opening of Oil and Gas Pipelines Network Facilities”, etc.

In view of the good progress made after the pollution prevention plan launched in major areas, the government expanded the coverage in key areas from “2+26” cities to more regions, such as the Yangtze River Delta and the Fen-Wei Plain. The government will continue to strictly control the consumption of coal as well as the total emission of air pollutants and greenhouse gas in key areas, demonstrating its determination to promote the use of natural gas as one of the key primary energy sources and push forward coal-to-gas conversion. Meanwhile, there are regulations calling for open and third-party access to infrastructures such as long-distance natural gas pipeline network and LNG receiving terminals, along with the ROA regulation of piped gas distribution and more guidelines on charging gas construction and installation fee, the natural gas industry is expecting another growth spurt in the near future amid healthier market conditions.

To meet the increasing demand for natural gas, the government carried out multiple measures to increase the upstream natural gas supply. China’s three oil majors are required to incorporate the expansion of oil and gas exploration and production into their corporate strategies. The government is planning to set up a national pipeline company in order to support upstream gas supply and diversify natural gas resources. It also instructed the companies to accelerate the construction of mid-stream infrastructures, such as long-distance gas pipelines and LNG receiving stations to promote overseas gas imports, and the construction of gas storage facilities to alleviate supply pressures during winter. China is expected to have a more abundant natural gas supply in the future.

Double Growth Drivers to Maintain Growth Momentum of the Group

The natural gas distribution business is the cornerstone of the Group's sustainable development and generates a stable revenue stream for the Group and its shareholders. To fully grasp the favorable momentum in the natural gas industry in China, the Group explores market potential of the C/I customer and residential customer fully, and actively looks at M&A projects to grow the scale of its natural gas distribution business. It also actively imports overseas LNG resources and invests in gas storage and peak shaving facilities, in an attempt to provide high-quality and safe services to customers by strengthening its gas securing ability.

Meanwhile, capitalising on its huge customer base and first-mover advantage, the Group will utilise its deep understanding of customers and its leading core technologies in integrated energy planning, design, operation and maintenance, the Group will accelerate the development of its integrated energy business. In order to "get quality projects", the Group will focus on exploring industrial park projects with stable energy consumption and quality stand-alone projects, such as national and provincial-level parks, large-scale transportation hubs, data centres and hospitals, etc. On the other hand, the Group will also focus on product life cycle management with the aim to "execute well". By strengthening project operation management, reducing investment risks, and accelerating revenue generation, the Group will continue to strive for success in both traditional gas sales business and the integrated energy business.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 1,419,400 shares on the Stock Exchange at an aggregate consideration of HK$89,310,054.34. Details of the repurchase are as follows:

Date	Total number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$
4 October 2018	200,000	61.95	60.80	12,315,750.00
5 October 2018	300,000	62.80	61.70	18,657,060.00
8 October 2018	274,500	61.45	61.25	16,853,998.05
11 October 2018	172,500	65.00	64.25	11,167,874.25
12 October 2018	272,400	64.50	63.35	17,447,792.04
15 October 2018	200,000	64.50	63.50	12,867,580.00
	1,419,400			89,310,054.34

1,419,400 ordinary shares repurchased during the year were cancelled on 16 November 2018.

The purpose of shares repurchased is to increase net assets value per share and earnings per share. The share repurchase complied with the general mandate to the Board to repurchase the Company's shares that passed in the Company's 2018 AGM. Save as disclosed above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee under The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems (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, the Audit Committee consists of four members, being Mr. Law Yee Kwan, Quinn (Chairman of the committee), Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Ms. Yien Yu Yu, Catherine, who are all Independent Non-executive Directors. A meeting of the Audit Committee was held on 20 March 2019 to review with the management on the Group's annual results and the Audited Consolidated Financial Statements for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH 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 have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the year except a deviation from Code Provision E.1.2 that Mr. Wang Yusuo (Chairman of the Board) was unable to attend the AGM of the Company held on 18 May 2018 due to business trips. Alternatively, Mr. Wang Dongzhi, the Executive Director of the Company, attended and acted as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of the Audit Committee, Mr. Law Yee Kwan, Quinn and the chairman of the Remuneration Committee, Mr. Yuen Po Kwong had attended the AGM.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board now recommends a final dividend of HK$1.19 (2017: HK$1.08) (equivalent to approximately RMB1.04 (2017: RMB0.90)) per share payable to shareholders of the Company whose names are on the register of members on Monday, 10 June 2019. The resolution on the final dividend is subject to approval by the shareholders in the forthcoming AGM and will be paid to shareholders of the Company on or before Friday, 19 July 2019.

For the purpose of ascertaining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019, both days inclusive. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 24 May 2019.

For the determination of entitlement to the final dividend to be approved at the AGM, the register of members of the Company will be closed from Thursday, 6 June 2019 to Monday, 10 June 2019, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Wednesday, 5 June 2019.

The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

Hong Kong, 21 March 2019

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

<u>Executive Directors:</u>
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Vice Chairman)
Mr. Wang Zizheng (Executive Chairman)
Mr. Han Jishen (Chief Executive Officer)
Mr. Liu Min (President)
Mr. Wang Dongzhi

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

The 2018 Annual Report will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.