華潤燃氣控股有限公司
China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

CR Gas recorded robust interim results with increases of 13.1% in gross gas sales volume to 14.0 billion cubic meters, 10.6% in net profit attributable to equity shareholders to HK$2,928 million.

	1st Half 2019	1st Half 2018	Increase/ (decrease)
Turnover (HK$ million)	**28,173**	23,847	18.1%
Profit attributable to equity shareholders of the Company (HK$ million)	**2,928**	2,648	10.6%
Basic earnings per share (HK$)	**1.34**	1.22	9.8%
Gross gas sales volume (million m^3)	**13,998**	12,375	13.1%
Accumulated total connected customers (million)	**35.88**	32.52	10.3%

The board of directors (the "Board") of China Resources Gas Group Limited (the "Company" or "CR Gas") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2019 (the "Period") with comparative figures for 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	NOTES	**Six months ended 30th June, 2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Revenue	*4*	**28,172,527**	23,846,503
Cost of sales		**(21,142,656)**	(17,104,638)
Gross profit		**7,029,871**	6,741,865
Other income		**551,195**	380,540
Selling and distribution expenses		**(2,055,933)**	(1,952,626)
Administrative expenses		**(1,076,287)**	(1,165,478)
Finance costs		**(235,345)**	(210,743)
Share of results of joint ventures		**346,235**	358,771
Share of results of associates		**159,562**	195,881
Profit before taxation		**4,719,298**	4,348,210
Taxation	*5*	**(1,032,825)**	(951,352)
Profit for the period	*6*	**3,686,473**	3,396,858
Other comprehensive income/(expense) for the period			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(151,621)**	(173,136)
Total comprehensive income for the period		**3,534,852**	3,223,722
Profit for the period attributable to:			
Owners of the Company		**2,928,087**	2,647,744
Non-controlling interests		**758,386**	749,114
		3,686,473	3,396,858
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,802,558**	2,517,992
Non-controlling interests		**732,294**	705,730
		3,534,852	3,223,722
		HK$ (Unaudited)	HK$ (Unaudited)
Earnings per share – Basic	*8*	**1.34**	1.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2019

	NOTES	At 30th June, 2019 HK$'000 (Unaudited)	At 31st December, 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**31,947,835**	30,918,515
Prepaid lease payments		**–**	1,926,460
Investment properties		**67,834**	68,182
Right-of-use assets		**2,528,802**	–
Interests in joint ventures		**9,617,729**	9,510,144
Interests in associates		**3,474,450**	3,438,449
Equity instruments at fair value through other comprehensive income		**182,921**	123,605
Goodwill		**666,229**	668,860
Operating rights		**1,227,054**	1,234,006
Deferred tax assets		**256,115**	265,822
Deposits for operating rights		**1,587**	1,593
Deposits for right-of-use assets		**76,931**	–
Deposits for prepaid lease payments		**–**	79,256
Deposits for property, plant and equipment		**389,610**	309,642
Total non-current assets		**50,437,097**	48,544,534
CURRENT ASSETS			
Inventories		**1,203,561**	940,057
Trade and other receivables	*10*	**11,549,838**	10,964,798
Assets related to contract works		**3,507,088**	2,625,560
Prepaid lease payments		**–**	96,583
Pledged bank deposits		**4,377**	7,550
Bank balances and cash		**11,877,349**	10,392,696
Total current assets		**28,142,213**	25,027,244
CURRENT LIABILITIES			
Trade and other payables	*11*	**18,880,364**	18,485,551
Contract liabilities		**13,306,631**	12,342,544
Government grants		**86,392**	68,116
Lease liabilities		**99,633**	–
Bank and other borrowings		**4,009,659**	2,634,961
Taxation payable		**633,411**	715,910
Total current liabilities		**37,016,090**	34,247,082
NET CURRENT LIABILITIES		**(8,873,877)**	(9,219,838)
TOTAL ASSETS LESS CURRENT LIABILITIES		**41,563,220**	39,324,696

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	At 30th June, 2019 HK$'000 (Unaudited)	At 31st December, 2018 HK$'000 (Audited)
CAPITAL AND RESERVES		
Share capital	**222,401**	222,401
Reserves	**25,310,783**	23,858,719
Equity attributable to owners of the Company	**25,533,184**	24,081,120
Non-controlling interests	**8,250,131**	7,527,360
Total equity	**33,783,315**	31,608,480
NON-CURRENT LIABILITIES		
Government grants	**189,136**	224,247
Lease liabilities	**334,831**	–
Bank and other borrowings	**286,534**	251,382
Senior notes	**5,557,229**	5,823,508
Other long-term liabilities	**202,302**	188,647
Deferred tax liabilities	**1,209,873**	1,228,432
Total non-current liabilities	**7,779,905**	7,716,216
	41,563,220	39,324,696

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

1. GENERAL

The Company is a listed public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's intermediate parent company is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong and its ultimate holding company is China Resources Company Limited ("CRCL") (formerly known as "China Resources National Corp."), a company established in the PRC which is owned and controlled by the PRC government.

The Group is principally engaged in the sale and distribution of gas fuel and related products, gas connection operation, sales of gas appliances, design and construction services and gas stations operation in the PRC.

The interim results of the Group are unaudited and have been reviewed by the Company's Audit and Risk Management Committee.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$8,873,877,000, and the Group has capital commitment of approximately HK$190,824,000 as at 30 June 2019. As at 30 June 2019, the Group has bank and other borrowings totalling approximately HK$4,296,193,000 of which approximately HK$4,009,659,000 was classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on renewing the borrowing facilities.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities of HK$8,839,386,000 and internally generated funds of the Group and the other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 30 June 2019. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, land use right, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the lease exemptions to leases with a lease term that ends within 12 months and leases of low-value assets from the date of initial application;

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics, relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review, and excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	2,500,506
Decrease in prepaid land lease payments	(2,023,043)
Decrease in prepayments, other receivables and other assets	(11,033)
Increase in total assets	466,430
Liabilities	
Increase in lease liabilities	466,430
Increase in total liabilities	466,430
Decrease in retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	584,149
Weighted average incremental borrowing rate as at 1 January 2019	4.22%
Discounted operating lease commitments as at 1 January 2019	502,237
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(35,807)
Lease liabilities as at 1 January 2019	466,430

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets	**Lease liabilities**
	HK$'000	*HK$'000*
As at 1 January 2019	2,500,506	466,430
Additions	123,925	17,524
Depreciation charge	(87,506)	–
Interest expense	–	8,435
Exchange adjustments	(8,123)	(36)
Payments	–	(57,889)
As at 30 June 2019	2,528,802	434,464

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's condensed consolidated financial statements.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's operating segments under HKFRS 8 are as follows:

(i) Sale and distribution of gas fuel and related products – sale of natural gas and to a much lesser extent, liquefied petroleum gas for residential, commercial and industrial use

(ii) Gas connection – construction of gas pipelines networks under gas connection contracts

(iii) Sales of gas appliances – sale of gas appliances and related products

(iv) Design and construction services – design, construction, consultancy and management for gas connection projects

(v) Gas stations – sale of gas fuel in natural gas filling stations

During the six months ended 30 June 2019, the chief operating decision maker assessed the Group's businesses by five operating segments: (i) sale and distribution of gas fuel and related products; (ii) gas connection; (iii) sale of gas appliances; (iv) design and construction services；and (v) gas stations.

Segment results represent the profit before taxation earned by each segment, excluding rental income, sundry income, interest income, finance costs, depreciation of investment properties, central administration costs, and directors' salaries. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and assessment of segment performance.

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

Six months ended 30 June 2019

	Sale and distribution of gas fuel and related products *HK$'000* (Unaudited)	**Gas connection** *HK$'000* (Unaudited)	**Sales of gas appliances** *HK$'000* (Unaudited)	**Design and construction services** *HK$'000* (Unaudited)	**Gas stations** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Segment revenue – external customers	**21,482,986**	**4,440,363**	**183,343**	**127,742**	**1,938,093**	**28,172,527**
Segment results	**2,589,632**	**2,040,690**	**21,522**	**27,954**	**375,141**	**5,054,939**
Share of results of joint ventures						**346,235**
Share of results of associates						**159,562**
Unallocated income						**375,692**
Unallocated expenses						**(981,785)**
Finance costs						**(235,345)**
Profit before taxation						**4,719,298**

Six months ended 30 June 2018

	Sale and distribution of gas fuel and related products HK$'000 (Unaudited)	Gas connection HK$'000 (Unaudited)	Sales of gas appliances HK$'000 (Unaudited)	Design and construction services HK$'000 (Unaudited)	Gas stations HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue – external customers	18,182,449	3,342,417	163,503	188,601	1,969,533	23,846,503
Segment results	2,604,512	1,728,361	20,916	32,268	484,758	4,870,815
Share of results of joint ventures						358,771
Share of results of associates						195,881
Unallocated income						281,799
Unallocated expenses						(1,148,313)
Finance costs						(210,743)
Profit before taxation						4,348,210

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segments:

	30 June 2019 ***HK$'000*** **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Segment assets:		
Sale and distribution of gas fuel and related products	**37,916,887**	36,686,161
Gas connection	**5,549,597**	4,343,318
Sales of gas appliances	**147,403**	155,602
Design and construction services	**214,661**	136,702
Gas stations	**1,985,025**	1,656,750
	45,813,573	42,978,533
Interests in joint ventures	**9,617,729**	9,510,144
Interests in associates	**3,474,450**	3,438,449
Deferred tax assets	**256,115**	265,822
Unallocated corporate assets *(Note a)*	**19,417,443**	17,378,830
	78,579,310	73,571,778
Segment liabilities:		
Sale and distribution of gas fuel and related products	**4,591,616**	3,843,698
Gas connection	**15,095,689**	14,011,947
Sales of gas appliances	**82,857**	100,713
Design and construction services	**366,397**	1,090,049
Gas stations	**113,266**	96,994
	20,249,825	19,143,401
Taxation payable	**633,411**	715,910
Deferred tax liabilities	**1,209,873**	1,228,432
Unallocated corporate liabilities *(Note b)*	**22,702,886**	20,875,555
	44,795,995	41,963,298

Notes:

a. Unallocated corporate assets represent investment properties, equity instruments at fair value through other comprehensive income, other receivables, pledged bank deposits and bank balances and cash.

b. Unallocated corporate liabilities represent other payables, accrued expenses, bank and other borrowings and senior notes. Bank and other borrowings and senior notes are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

5. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**1,037,107**	958,471
Deferred taxation	**(4,282)**	(7,119)
	1,032,825	951,352

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits for the six months ended 30 June 2019. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and subsidiaries operating in Hong Kong had no assessable profits for both periods.

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**875,819**	665,397
Depreciation of investment properties	**818**	792
Amortisation of operating rights (included in administrative expenses)	**39,190**	40,179
Amortization of right-of-use assets	**87,506**	–
Amortization of prepaid lease payments	**–**	22,550
Loss on disposal of property, plant and equipment	**7,420**	1,074
Interests on:		
Senior notes	**140,837**	137,383
Lease liabilities	**8,435**	–
Bank and other borrowings	**59,237**	67,499
Amounts due to joint ventures	**3,732**	4,527
Amount due to an intermediate holding company	**21,851**	–
Other long-term liabilities	**1,253**	1,334
	235,345	210,743
and after crediting:		
Interest income from bank and other deposits	**133,590**	113,214
Interest income from bank and other deposits placed in a fellow subsidiary	**2,747**	31,368
Interest income from joint ventures	**1,160**	1,182
Interest income from loan to a fellow subsidiary	**21,240**	–
Interest income from loan to an intermediate holding company	**3,240**	–
Net reversal of impairment loss recognised on financial assets	**9,429**	1,958

7. DIVIDENDS

During the six months ended 30 June 2019, a dividend of 62 HK cents per share (six months ended 30 June 2018: 40 HK cents per share), totalling HK$1,350,494,000 (2018: HK$871,296,000), was paid by the Company to its shareholders as the final dividend for the year ended 31 December 2018 (2018: 31 December 2017).

On 23 August 2019, the directors declared an interim dividend in respect of the current interim period of 15 HK cents per share amounting to HK$326,732,000 in aggregate (six months ended 30 June 2018: 15 HK cents per share amounting to HK$326,732,000 in aggregate) that will be paid to shareholders whose names appear on the register of members of the Company on 27 September 2019.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$2,928,087,000 (six months ended 30 June 2018: HK$2,647,744,000) and on 2,178,215,487 (six months ended 30 June 2018: 2,178,215,487) weighted average number of shares in issue less shares held for incentive award scheme for the six months ended 30 June 2019.

No diluted earnings per share is presented as there were no potential ordinary shares in issue in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred a total cost of HK$178,176,000 and HK$1,702,988,000 (six months ended 30 June 2018: HK$157,702,000 and HK$2,217,971,000) on additions of gas pipelines and construction in progress, respectively.

10. TRADE AND OTHER RECEIVABLES

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Trade receivables	**4,463,710**	4,374,971
Less: Allowance for doubtful debts	**(198,834)**	(196,970)
	4,264,876	4,178,001
Amounts due from joint ventures *(Note a)*	**319,853**	430,443
Amounts due from associates *(Note b)*	**532**	48,494
Amounts due from non-controlling shareholders *(Note b)*	**19,328**	18,750
Amounts due from fellow subsidiaries *(Note c)*	**1,325,988**	1,216,695
Amounts due from an intermediate holding company *(Note d)*	**795,760**	573,610
Deposits	**1,346,245**	1,638,844
Prepayments	**2,753,860**	2,228,047
Other receivables	**723,396**	631,914
	11,549,838	10,964,798

Notes:

a. Except for the amount due from a joint venture of HK$41,683,000 (31 December 2018: HK$53,264,000) which is unsecured, bear variable interest ranging from 3.92% to 4.28% (31 December 2018: 3.92% to 4.28%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

b. Amounts due from associates and non-controlling shareholders are unsecured, interest-free and repayable on demand.

c. Except for the amounts due from a fellow subsidiary of HK$1,023,120,000 (31 December 2018: HK$917,494,000) which are unsecured, bear variable interest ranging from 4.35% to 4.57% (31 December 2018: 4.79%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

d. Amounts due from an intermediate holding company bear interest of 3.92% (31 December 2018: 4.35%) per annum and repayable within one year.

The Group generally allows credit periods ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, and is presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**3,413,717**	3,561,184
91 – 180 days	**477,096**	297,942
181 – 365 days	**259,319**	210,670
Over 365 days	**114,744**	108,205
	4,264,876	4,178,001

11. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**6,130,533**	6,319,847
Amounts due to joint ventures *(Note a)*	**669,291**	352,083
Amounts due to associates *(Note b)*	**2,083**	43,957
Amounts due to non-controlling shareholders *(Note c)*	**43,617**	41,260
Amounts due to fellow subsidiaries *(Note b)*	**291,128**	–
Amounts due to an intermediate holding company *(Note d)*	**3,523,633**	3,501,781
Receipts in advance	**4,007,170**	4,005,822
Other payables and accruals	**4,212,909**	4,220,801
	18,880,364	18,485,551

Notes:

a. Except for the amounts due to joint ventures of HK$435,638,000 (31 December 2018: HK$349,320,000) which are unsecured, bear variable interest ranging from 1.15% to 1.65% (31 December 2018: from 1.15% to 1.65%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

b. Amounts due to associates and fellow subsidiaries are unsecured, interest-free and repayable on demand.

c. Amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

d. The amounts due to an intermediate holding company of HK$3,500,000,000 (31 December 2018: HK$3,500,000,000) are unsecured and repayable within 3 months, bear an interest of Hongkong InterBank Offered Rate (HIBOR) plus 0.6% (31 December 2018: HIBOR plus 0.6%) per annum.

The aged analysis of trade payables is presented based on the invoice date at the end of the reporting period as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**3,726,687**	4,338,115
91 – 180 days	**893,268**	596,434
181 – 365 days	**961,673**	786,497
Over 365 days	**548,905**	598,801
	6,130,533	6,319,847

The average credit period on purchases of goods ranges from 7 to 180 days.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30th June, 2019 are unaudited and have been reviewed by the Company's auditor and the Company's Audit and Risk Management Committee. The auditor's report on review of condensed consolidated financial statements is contained in the interim report to be dispatched to shareholders.

RESULTS AND BUSINESS REVIEW

HALF-YEAR RESULTS

The demand for natural gas underwent a steady growth on a national scale in the first half of 2019, with the apparent consumption reaching 149.3 billion cubic metres during the first half of 2019, representing an increase of 10.8% as compared with the corresponding period of last year. Leveraging on its strong operating capabilities, the Group recorded a gross gas sales volume of 14.0 billion cubic metres during the period, representing an increase of 13.1% as compared with the corresponding period of last year, surpassing national average in terms of gas sales volume. The turnover of CR Gas increased by 18.1% to HK$28.17 billion from HK$23.85 billion while the profit attributable to owners of the Company recorded by the Group was HK$2.928 billion, representing an increase of 10.6% as compared with HK$2.648 billion of the corresponding period of last year.

SALE OF NATURAL GAS

The Group recorded a total natural gas sales volume of 14.0 billion cubic meters in the first half of 2019, of which the industrial gas sales volume reached 6.28 billion cubic meters, representing an increase of 22.6% and accounting for 44.8% of the total gas sales volume of the Group. The commercial gas sales volume reached 3.54 billion cubic meters, representing an increase of 7.5% and accounting for 25.3% of the total gas sales volume of the Group. The residential gas sales volume increased by 12.8% to 3.42 billion cubic meters, accounting for 24.5% of the total gas sales volume of the Group.

DEVELOPMENT OF NEW USERS

Most of the Group's city gas projects are located in economically developed cities. Benefiting from the stable performance of the real estate market in the large and medium-sized cities and driven by the pace of large-scale urbanisation, the Group's gas connection for residential users has shown a rapid growth, connecting 1.478 million new residential users during the period, including 1.378 million new residential connections and the number of retrofitting of old households with new gas connections reaching 76,000. As at the end of the first half of 2019, the penetration rate of residential household in the regions where the Group operated increased to 51.6% from 48.6% in the corresponding period of last year.

NEW PROJECT EXPANSION

The Group continued to focus on developing its core business of city gas operation. Leveraging on outstanding market expansion capabilities and good corporate branding, the Group completed the registration of 3 subsidiaries with a total investment of HK$93.01 million in the first half of 2019. As at 30th June, 2019, the number of city gas projects of the Group reached 249, with 68.99 million connectable householders. The expanding operational regions and prime geographic locations of the projects have laid a solid foundation for the sustained and rapid growth of the Group's core business.

NEW BUSINESS DEVELOPMENT

In recent years, the demand for clean energy has been on the rise in the wake of pressure from economic transformation and pollution treatment requirements faced by China. Riding on the government-supported policies and the advantage of huge market for gas projects and its existing customer base, the Group steadily promoted new businesses such as distributed energy and charging posts to meet the energy needs of different customers, expanding the Group's income stream.

In the first half of 2019, the Group newly signed two distributed energy projects with an estimated total investment of approximately HK$78.32 million. The cumulative number of projects reached 25 and the installed capacity was 289MW.

In response to the national strategy to promote new energy vehicles, the Group had an aggregate of 64 charging posts in operation as of the first half of 2019 with net generation of 54.11 million kWh, achieving operating profit of HK$19.41 million. The Group also commenced the construction and trial run of hydrogen refueling stations for vehicles in Wuxi and Weifang.

VALUE-ADDED BUSINESS DEVELOPMENT

Leveraging on the Group's brand influence, the Group thoroughly explored customer value and proactively explored the value-added service business model. The total revenue of value-added services in the first half of 2019 reached HK$658 million. Among them, the turnover of insurance business reached HK$145 million, representing a year-on-year increase of 98.2%, exhibiting a higher growth rate. The Group will continue to take flexible market-based approaches, enhance value-added service capabilities and strive to foster new profit growth points.

KEY FINANCIAL INFORMATION

In the first half of 2019, the Group achieved a total turnover of HK$28.17 billion, representing an increase of 18.1% as compared with the corresponding period of last year. The Group's overall gross profit margin was 25.0%, representing a decrease of 3.3 percentage points as compared with the corresponding period of last year. The decrease in overall gross profit margin was mainly attributable to the increase in average purchase price of natural gas. Basic earnings per share were HK$1.34, representing an increase of 9.8% over the corresponding period of last year.

The Group has been adopting prudent financial resource management policies. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future.

Capitalising on the government's encouragement of the use of clean energy (including natural gas) and the Company's ever-expanding business scale and rising performance quality, the Group's credit rating was affirmed by three international rating agencies, namely Standard & Poor's, Moody's and FitchRatings, at A-, A3 and A-, respectively. The above credit rating has reflected the Group's development strategy of focusing on its core business and its excellent financial performance have been widely recognised by the market, which will further reduce the finance costs to be incurred by the Group in its potential financing activities, and provide sufficient financial resources for the long-term healthy development of the Group.

At the same time, CR Gas further reduced costs and increased efficiency. In the first half of 2019, the total cost-to-revenue ratio decreased from 14.0% in the previous corresponding period to 12.0%, down by 2 percentage points. The percentage of selling and distribution expenses to revenue decreased from 8.2% in the previous corresponding period to 7.3%, down by 0.9 percentage point. The percentage of administration expenses to revenue decreased from 4.9% in the previous corresponding period to 3.8%, down by 1.1 percentage points. Financial costs-to-revenue ratio decreased from 0.9% in the previous corresponding period to 0.8%, down by 0.1 percentage point. The Group expects that the effectiveness of cost control implemented in 2019 will be further materialized.

DEVELOPMENT PROSPECT

In 2019, China's macro-economy was stable at large amid the complicated Sino-US trading relationship. The Group firmly believes that the long-term strategic vision of the Chinese government to vigorously promote the use of natural gas to diversify energy and fight against pollution will remain unchanged. With constant efforts towards the development of all the relevant policies and measures, China aspires to achieve a natural gas supply capacity of more than 360 billion cubic meters by 2020, with natural gas consumption accounting for 10.0% of primary energy consumption. China's natural gas industry still has a strong growth momentum, opening up significant opportunities for the Group's sustainable development in the foreseeable future.

While focusing on the development of the main businesses, the Group will also revolve around the expansion of industry chains, explore customer value, step up its efforts to expand new businesses such as distributed energy and charging posts, promote the development of value-added services, and provide customers with diversified energy supply and services in an effort to continually enhance shareholders' return and promote sustainable development of the Group.

INTERIM DIVIDEND

The Directors have resolved to declare the payment of an interim dividend of 15 HK cents per share for the six months ended 30th June, 2019 (six months ended 30th June, 2018: 15 HK cents per share), payable on 25th October, 2019 to shareholders whose names appear on the register of members of the Company on 27th September, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd September, 2019 to 27th September, 2019, both days inclusive. In order to qualify for the proposed interim dividend payment, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20th September, 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th June, 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the mandatory provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the "Handbook") on 23rd December, 2005 and subsequently updated it in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016 and 2018 respectively. The contents of the Handbook include, among others, directors' duties, model code for directors' transactions in securities, model code for securities transactions by relevant employees, the functions and terms of reference of the Audit and Risk Management, Remuneration, Nomination, Investment and Corporate Governance Committees, disclosure of information, communication with shareholders, procedures for shareholders to propose a person for election as a director and board diversity policy. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. During the six months ended 30th June, 2019, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provisions A.5.5(2) and D.1.4 which are explained as follows:

Under the code provision A.5.5, where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders why the board believes that an independent non-executive director holding his seventh or more listed company directorship will still be able to devote sufficient time to the board. The information as required under code provision A.5.5 was not provided in the circular dated 23rd April, 2019. The details are now provided as follow:

According to the annual reports of the Company in the past 3 years, Mr. YU Hon To, David had a good track record in attending the Company's meetings. Mr. YU is a retired professional accountant and is not in full time employment. He confirmed and the Board considers that he will be able to devote sufficient time to the Board in the future, notwithstanding he is currently holding his seventh or more listed company directorship.

Under the code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-Laws. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the Code during the six months ended 30th June, 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the period.

INTERIM REPORT

The 2019 Interim Report will be dispatched to shareholders and published on the Stock Exchange's designated website (www.hkexnews.hk) and the Company's website (www.crcgas.com) in due course.

By order of the Board
CHINA RESOURCES GAS GROUP LIMITED
SHI Baofeng
Executive Director and Chief Executive Officer

Hong Kong, 23rd August, 2019

As at the date of this announcement, the Directors of the Company are Mr. SHI Baofeng and Mr. GE Bin, being Executive Directors; Mr.WANG Chuandong, Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing, being Non-executive Directors; and Mr. WONG Tak Shing, Mr. YU Hon To, David, Mr. YANG Yuchuan and Mr. HU Xiaoyong, being Independent Non-executive Directors.