

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**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, 2015**

**CR Gas recorded improvements in interim results with an increase of 17.5% in turnover to HK\$15,091 million and registered 25.0% increase in net profit attributable to equity shareholders to HK\$1,564 million.**

	1st Half 2015	1st Half 2014	Increase
<b>Turnover (HK\$ million)</b>	<b>15,091</b>	12,846	17.5%
<b>Profit attributable to equity shareholders (HK\$ million)</b>	<b>1,564</b>	1,251	25.0%
<b>Basic earnings per share (HK cents)</b>	<b>72</b>	58	24.1%
<b>Proposed dividend per share (HK cents)</b>	<b>10</b>	5	100.0%
<b>Gross gas sales volume (million m<sup>3</sup>)</b>	<b>7,556</b>	6,816	10.9%
<b>Accumulated total connected customers (million)</b>	<b>21.76</b>	19.35	12.5%

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, 2015 with comparative figures for 2014 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

	NOTES	Six months ended 30th June,	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited and restated)
Revenue	4	15,090,569	12,845,540
Cost of sales		<u>(10,557,292)</u>	<u>(8,967,869)</u>
Gross profit		4,533,277	3,877,671
Other income		357,773	407,819
Selling and distribution expenses		(1,456,560)	(1,196,153)
Administrative expenses		(990,514)	(967,633)
Finance costs		(275,880)	(272,552)
Share of results of joint ventures		417,130	329,202
Share of results of associates		56,884	56,978
Profit before taxation		2,642,110	2,235,332
Taxation	5	<u>(632,533)</u>	<u>(540,879)</u>
Profit for the period	6	<u>2,009,577</u>	<u>1,694,453</u>
Other comprehensive income (expense) for the period			
Exchange differences arising on translation that will not be reclassified to profit or loss		17,948	(143,904)
Total comprehensive income for the period		<u>2,027,525</u>	<u>1,550,549</u>
Profit for the period attributable to:			
Owners of the Company		1,563,802	1,251,010
Non-controlling interests		445,775	443,443
		<u>2,009,577</u>	<u>1,694,453</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		1,578,991	1,149,891
Non-controlling interests		448,534	400,658
		<u>2,027,525</u>	<u>1,550,549</u>
		HK\$ (unaudited)	HK\$ (unaudited)
Earnings per share – Basic	8	<u>0.72</u>	<u>0.58</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30TH JUNE, 2015**

	<i>NOTES</i>	At 30th June, 2015 <i>HK\$'000</i> (unaudited)	At 31st December, 2014 <i>HK\$'000</i> (restated)
<b>Non-current assets</b>			
Property, plant and equipment	9	22,509,583	21,598,020
Prepaid lease payments		1,376,342	1,302,642
Investment properties		44,949	45,757
Interests in joint ventures		9,797,774	9,559,564
Interests in associates		1,997,152	1,990,259
Available-for-sale investments		52,309	52,292
Goodwill		976,054	972,824
Operating rights		772,215	790,569
Deferred tax assets		128,559	127,738
Deposits for operating rights		60,089	52,171
Deposits for prepaid lease payments		90,674	67,578
Deposits for property, plant and equipment		479,690	438,397
Deposits for investments		817,385	76,058
		<u>39,102,775</u>	<u>37,073,869</u>
<b>Current assets</b>			
Inventories		837,870	639,576
Trade and other receivables	10	6,884,684	6,997,804
Amounts due from customers for contract work		2,283,396	1,590,712
Prepaid lease payments		71,771	60,119
Loan to an intermediate holding company		760,830	694,532
Loan to a fellow subsidiary		–	707,695
Pledged bank deposits		87,625	65,986
Bank balances and cash			
– Cash and cash equivalents		7,184,147	7,552,519
– Other deposits		3,892,914	2,154,988
		<u>22,003,237</u>	<u>20,463,931</u>

	<i>NOTES</i>	At 30th June, 2015 <i>HK\$'000</i> (unaudited)	At 31st December, 2014 <i>HK\$'000</i> (restated)
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	13,940,559	12,871,276
Amounts due to customers for contract work		8,137,542	7,152,688
Government grants		29,949	32,394
Bank and other borrowings		4,487,542	3,296,513
Taxation payable		326,078	431,268
		<u>26,921,670</u>	<u>23,784,139</u>
<b>Net current liabilities</b>		<u>(4,918,433)</u>	<u>(3,320,208)</u>
		<u><b>34,184,342</b></u>	<u><b>33,753,661</b></u>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	222,401	222,401
Reserves		16,985,030	15,840,967
<b>Equity attributable to owners of the Company</b>		<u>17,207,431</u>	<u>16,063,368</u>
<b>Non-controlling interests</b>		<u>5,512,432</u>	<u>4,966,268</u>
		<u>22,719,863</u>	<u>21,029,636</u>
<b>Non-current liabilities</b>			
Government grants		86,843	82,472
Bank and other borrowings		4,727,316	5,933,818
Senior notes		5,702,534	5,698,823
Other long-term liabilities		182,756	232,318
Deferred tax liabilities		765,030	776,594
		<u>11,464,479</u>	<u>12,724,025</u>
		<u><b>34,184,342</b></u>	<u><b>33,753,661</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

### 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 National Corp. (“CRNC”), 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 and gas connection operation in the PRC.

The interim results of the Group are unaudited and have been reviewed by the Company’s Audit 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 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\$4,918 million, and the Group has capital commitment of approximately HK\$3,758 million as at 30th June, 2015. As at 30th June, 2015, the Group has bank and other borrowings totalling approximately HK\$9,215 million of which approximately HK\$4,488 million 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 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 30th June, 2015. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

During the six months ended 30th June, 2015, the identification and determination of the fair values of the net identifiable assets of 彭州華潤燃氣有限公司 (“Pengzhou CR Gas”) acquired in April 2014 have been completed. Thus, the Group has restated comparative information in the condensed consolidated statement of financial position at 31st December, 2014 to reflect the fair value adjustments made upon completion of the purchase accounting. The effect of fair value adjustments has no significant impact on the condensed consolidated statement of profit or loss and other comprehensive income and the Group’s basic earnings per share for the six months ended 30th June, 2014.

The effects of those restatements described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31st December, 2014, is as follows:

	At 31st December, 2014 <i>HK\$'000</i> (originally stated)	Effect of the finalisation of accounting for a subsidiary <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i> (restated)
<b>Non-current assets</b>			
Property, plant and equipment	21,511,872	86,148	21,598,020
Prepaid lease payments	1,298,818	3,824	1,302,642
Investment properties	45,757	–	45,757
Interests in joint ventures	9,559,564	–	9,559,564
Interests in associates	1,990,259	–	1,990,259
Available-for-sale investments	52,292	–	52,292
Goodwill	1,042,033	(69,209)	972,824
Operating rights	790,569	–	790,569
Deferred tax assets	127,738	–	127,738
Deposits for operating rights	52,171	–	52,171
Deposits for prepaid lease payments	67,578	–	67,578
Deposits for property, plant and equipment	438,397	–	438,397
Deposits for investments	76,058	–	76,058
	<u>37,053,106</u>	<u>20,763</u>	<u>37,073,869</u>
<b>Current assets</b>			
Inventories	639,576	–	639,576
Trade and other receivables	6,997,804	–	6,997,804
Amounts due from customers for contract work	1,590,712	–	1,590,712
Prepaid lease payments	60,119	–	60,119
Loan to an intermediate holding company	694,532	–	694,532
Loan to a fellow subsidiary	707,695	–	707,695
Pledged bank deposits	65,986	–	65,986
Bank balances and cash			
– Cash and cash equivalents	7,552,519	–	7,552,519
– Other deposits	2,154,988	–	2,154,988
	<u>20,463,931</u>	<u>–</u>	<u>20,463,931</u>

	At 31st December, 2014 <i>HK\$'000</i> (originally stated)	Effect of the finalisation of accounting for acquisition of a subsidiary <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i> (restated)
<b>Current liabilities</b>			
Trade and other payables	12,871,276	–	12,871,276
Amounts due to customers for contract work	7,152,688	–	7,152,688
Government grants	32,394	–	32,394
Bank and other borrowings	3,296,513	–	3,296,513
Taxation payable	431,268	–	431,268
	<u>23,784,139</u>	–	<u>23,784,139</u>
<b>Net current liabilities</b>	<u>(3,320,208)</u>	–	<u>(3,320,208)</u>
	<u>33,732,898</u>	<u>20,763</u>	<u>33,753,661</u>
<b>Capital and reserves</b>			
Share capital	222,401	–	222,401
Reserves	15,842,697	(1,730)	15,840,967
<b>Equity attributable to owners of the Company</b>	<u>16,065,098</u>	<u>(1,730)</u>	<u>16,063,368</u>
Non-controlling interests	4,966,268	–	4,966,268
	<u>21,031,366</u>	<u>(1,730)</u>	<u>21,029,636</u>
<b>Non-current liabilities</b>			
Government grants	82,472	–	82,472
Bank and other borrowings	5,933,818	–	5,933,818
Senior notes	5,698,823	–	5,698,823
Other long-term liabilities	232,318	–	232,318
Deferred tax liabilities	754,101	22,493	776,594
	<u>12,701,532</u>	<u>22,493</u>	<u>12,724,025</u>
	<u>33,732,898</u>	<u>20,763</u>	<u>33,753,661</u>

### 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in 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:

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

Gas connection – construction of gas pipelines networks under gas connection contracts

Segments results represent the profit before taxation earned by each segment, excluding sundry income, interest income, finance costs, central administration costs, release from prepaid lease payments 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 30th June, 2015

	Sale and distribution of gas fuel and related products <i>HK\$’000</i>	Gas connection <i>HK\$’000</i>	Total <i>HK\$’000</i>
Segment revenue – external customers	<u>12,506,330</u>	<u>2,584,239</u>	<u>15,090,569</u>
Segment results	<u>1,506,305</u>	<u>1,245,761</u>	2,752,066
Share of results of joint ventures			417,130
Share of results of associates			56,884
Unallocated income			308,240
Unallocated expenses			(616,330)
Finance costs			(275,880)
Profit before taxation			<u>2,642,110</u>



Six months ended 30th June, 2014

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – external customers	<u>10,633,281</u>	<u>2,212,259</u>	<u>12,845,540</u>
Segment results	<u>1,075,702</u>	<u>985,193</u>	2,060,895
Share of results of joint ventures			329,202
Share of results of associates			56,978
Unallocated income			354,128
Unallocated expenses			(293,319)
Finance costs			(272,552)
Profit before taxation			<u>2,235,332</u>

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

	At 30th June, 2015 <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i> (restated)
Segment assets:		
Sale and distribution of gas fuel and related products	27,858,450	26,289,549
Gas connection	<u>5,015,714</u>	<u>4,519,154</u>
	32,874,164	30,808,703
Interests in joint ventures	9,797,774	9,559,564
Interests in associates	1,997,152	1,990,259
Deferred tax assets	128,559	127,738
Unallocated corporate assets ( <i>Note a</i> )	<u>16,308,363</u>	<u>15,051,536</u>
	<u>61,106,012</u>	<u>57,537,800</u>

	At 30th June, 2015 <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i> (restated)
Segment liabilities:		
Sale and distribution of gas fuel and related products	5,714,704	5,345,185
Gas connection	<u>10,541,170</u>	<u>10,446,347</u>
	16,255,874	15,791,532
Taxation payable	326,078	431,268
Deferred tax liabilities	765,030	776,594
Unallocated corporate liabilities ( <i>Note b</i> )	<u>21,039,167</u>	<u>19,508,770</u>
	<u><u>38,386,149</u></u>	<u><u>36,508,164</u></u>

*Notes:*

- a. Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries and which are engaged in sale and distribution of gas fuel and related products and gas connection, investment properties, prepaid lease payments, deposits for prepaid lease payments, deposits for investments, available-for-sale investments, other receivables, loans to an intermediate holding company and a fellow subsidiary, 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 30th June,	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	622,874	546,442
Deferred taxation charge (credit)	<u>9,659</u>	<u>(5,563)</u>
	<u><u>632,533</u></u>	<u><u>540,879</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the six months ended 30th June, 2015. 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.

## 6. PROFIT FOR THE PERIOD

Six months ended 30th June,  
2015  
HK\$'000

2014  
HK\$'000

Profit for the period has been arrived at after charging (crediting):

Depreciation of property, plant and equipment	514,314	425,972
Depreciation of investment properties	821	691
Amortisation of operating rights (included in administrative expenses)	17,171	16,718
Release of prepaid lease payments	25,144	25,442
Loss on disposal of property, plant and equipment	2,279	317
Loss (gain) on disposal of prepaid lease payments	51	(1,897)

## 7. DIVIDENDS

During the six months ended 30th June, 2015, a dividend of 20 HK cents per share (six months ended 30th June, 2014: 20 HK cents per share), totalling HK\$434,928,000 (2014: HK\$434,547,000), was paid by the Company to its shareholders as the final dividend for the year ended 31st December, 2014 (2014: 31st December, 2013).

In respect of the current interim period on 25th August, 2015, the directors declared an interim dividend of 10 HK cents per share amounting to HK\$217,464,000 in aggregate (six months ended 30th June, 2014: 5 HK cents per share) that will be paid to shareholders whose names appear on the register of members of the Company on 25th September, 2015. This dividend was declared and approved after the interim reporting date, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

## 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\$1,563,802,000 (six months ended 30th June, 2014: HK\$1,251,010,000) and on 2,174,639,487 (six months ended 30th June, 2014: 2,172,734,387) weighted average number of shares in issue less shares held for incentive award scheme for the six months ended 30th June, 2015.

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

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2015, the Group incurred a total costs of HK\$417,311,000 and HK\$729,187,000 (six months ended 30th June, 2014: HK\$412,877,000 and HK\$725,416,000) on additions of gas pipelines and construction in progress, respectively.

## 10. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on the trade volume and settlement terms. The following is an analysis of trade receivables by age, net of allowance for doubtful debts and is presented based on the invoice date, which approximated the revenue recognition date.

	At 30th June, 2015 <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i>
0 – 90 days	2,498,805	3,356,160
91 – 180 days	514,511	325,603
180 – 365 days	575,085	194,180
Over 365 days	60,692	79,435
	<u>3,649,093</u>	<u>3,955,378</u>

## 11. TRADE AND OTHER PAYABLES

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

	At 30th June, 2015 <i>HK\$'000</i>	At 31st December, 2014 <i>HK\$'000</i>
0 – 90 days	2,678,313	2,867,924
91 – 180 days	1,017,832	486,896
180 – 365 days	971,707	737,045
Over 365 days	93,592	584,467
	<u>4,761,444</u>	<u>4,676,332</u>

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

Included in other payables as at 30th June, 2015 are receipts in advance from customers of HK\$1,387,940,000 (31st December, 2014: HK\$1,322,814,000) of which the construction work on gas connection projects has not yet commenced.

## 12. SHARE CAPITAL

	Number of shares	Nominal value of shares <i>HK\$'000</i>
Shares of HK\$0.10 each		
Authorised:		
At 1st January, 2014, 31st December, 2014 and 30th June, 2015	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1st January, 2014, 31st December, 2014 and 30th June, 2015	<u>2,224,012,871</u>	<u>222,401</u>

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30th June, 2015 are unaudited and have been reviewed by the Company's auditor and the Company's Audit 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**

### **Results**

The downstream city gas industry in China experienced a challenging year during 2014 with gas demand softening after another round of increase of city-gate gas price in September 2014 following the previous price hike in July 2013. This coupled with the significant drop in price of oil and related products during the last quarter of 2014, resulting in reduction of price competitiveness of gas and caused the demand for gas to slow down. This situation continued during the first 6 months of 2015 despite a small cut in city gate gas price in April 2015. This is aggravated by the slow down in industrial activity and hence demand for gas by industrial users, as reflected by the relatively weak Chinese economy which registered a lower 7% GDP growth rate for first 6 months of 2015. The overall first 6 months of 2015 gas volume demand growth in China was only 2.1%, significantly down from the growth rate of 8.9% registered in corresponding period of 2014.

Despite these challenging environment, the Group's city gas distribution business in China continued to contribute significant profit and cash inflow to the Group driven by continuing improvement in operational efficiency. The Group's gross gas sales volume increased by 10.9% and connected customers increased by 12.5%.

For the period ended 30th June, 2015, the Group recorded turnover and profit attributable to the Company's equity holders of HK\$15,091 million and HK\$1,564 million, an increase of 17.5% and 25.0% respectively over the HK\$12,846 million and HK\$1,251 million of the previous corresponding period.

### **Revenue and Profit Drivers**

The total revenue of city gas operation comprises of recurring gas sales and one-time gas connection fee which accounts for 83% and 17% of the revenue for the period ended 30th June, 2015 (2014: 83% and 17%, respectively).

The turnover of the city gas distribution operation for the period ended 30th June, 2015 amounted to HK\$15,091 million, an increase of 17.5% over the HK\$12,846 million of the previous corresponding period. The significant increase was mainly due to the increase in gas sales revenue by 17.6% from HK\$10,633 million to HK\$12,506 million and the increase in connection fee income by 16.8% from HK\$2,212 million to HK\$2,584 million.

The gross profit margin for the six months ended 30th June, 2015 was 30.0% is comparable to the previous corresponding period's 30.2%.

The net profit attributable to shareholders of the Company for the period ended 30th June, 2015 was HK\$1,564 million, an increase of 25.0% over that of the previous corresponding period. This represents a net profit margin of 10.36%, 0.62 percentage point more than that of the previous period's 9.74%. The increase was mainly due to the decrease in other income of gas installation and service fee by 0.8 percentage point, compensated by the overall 0.63 percentage point reduction in operating expenses (improvement in operating efficiency) and reduction in financing costs of 0.29 percentage point as well as higher 0.13 percentage point contributions from joint ventures and associates. With the continuing focus on Lean Management and Benchmarking measures by the Group, operational efficiency will continue to improve going forward.

### **Increase in Shareholdings of Business Units**

Following the increase in shareholdings of existing projects in Zhenjiang and Hengshui in 2010, Zibo and Nanjing Jiangning in 2011, Zhengzhou in 2012 and Neijiang in 2013, during 2014 the Group increased its shareholdings in Fujian Runmin Energy Co., Ltd from 33% to 100%, Qingzhen Economic Development Zone China Resources Gas Co., Ltd from 49% to 70% and during 2015 Longyan Kunrun Gas Co., Ltd from 36% to 71%. The Group will continue to execute this strategy of enhancing results via increasing its stakes in existing gas projects and thereby increase earnings contribution to the Group.

### **Continue Enhancement of Operational Efficiencies**

The Group is intensively executing its company-wide "Lean Management" and "Benchmarking" measures to enhance its operational and financial efficiencies continuously. It constantly seeks for improvements in various areas such as speed of signing up new customers, customer service, project tendering, safety standards, gas leakages control, centralised cash management, centralised procurement, tax management, etc. The ongoing organic enhancement of existing city gas distribution operations and the external acquisition of new city gas businesses will continue to deliver stable cash flow as well as excellent growth opportunity for the enhancement of the Company's shareholders' value in the foreseeable future.

## **PROSPECTS AND OUTLOOK**

On 28th February, 2015, The National Development and Reform Committee ("NDRC") announced that with effect from 1st April, 2015, the ceiling city gate gas price for existing volume will increase by RMB0.04/m<sup>3</sup> and that for incremental volume will reduce by RMB0.44/m<sup>3</sup>. This effectively merges the gas prices of existing and incremental gas volumes resulting in an overall net reduction in blended price of city gate gas. As at 30th June 2015, the Group has passed on the price reduction to 43% of the Group's affected gas volume. This historic first reduction of city gate price since gas price reform started in 2011, signals the unwavering objective of NDRC to support the development of Chinese gas industry to ultimately achieve market based gas price for the PRC. This measure to enhance the price competitiveness of gas is expected to continue and will ensure that the NDRC's target of gas comprising about 10% or more of the total energy sources in China by 2020 is achievable. With the coming availability of abundant cheaper gas globally and in China within the next 3 to 5 years, such market driven approach of gas pricing will spike the continue demand for gas and will be extremely positive for the entire downstream city gas industry.

To rationalise and alleviate the burden on industrial customers in cross subsidising residential customers, in March 2014, the NDRC announced that a three-tiered progressive gas tariff system for the residential sector will be implemented nationwide by 2015. By the end of June 2015, the Group has adopted step-pricing system for residential customers to 24% of the Group's affected gas volume. This step-pricing mechanism, once fully implemented throughout CR Gas's projects by the end of 2015, could lead to a further upside in residential dollar-margin.

The above factors augur well for the natural gas industry in China and offer significant opportunity for the continuous growth of the Group in the foreseeable future.

The Group's key business units in Zhengzhou, Wuxi, Chengdu, Nanjing, etc have continued to register good operating performances. Financial performance and profit contribution from Chongqing Project is expected to improve steadily going forward.

The Group's external acquisitions have started to rise again after hitting a trough in 2013, having spent only HK\$836 million for such purpose. External acquisitions have significantly increased to HK\$1,943 million in 2014. The Group invested HK\$387.2 million during the first half of 2015 and expects external acquisitions to accelerate in second half of 2015.

The Group has embarked on various operational enhancement measures to boost the quality of its organic growth, starting with "Lean Management" practice in 2012 and "Bench-marking for Excellence" measure in 2013. The Group continues in 2015 to focus intensely on various Bench-marking measures to improve operation efficiencies relentlessly.

Leveraging on the above mentioned factors, the Group will continue to grow steadily during the second half of the year and beyond. The Group will ride on the continuing favourable industry fundamentals and its experienced management team with strong execution record to scale new heights via quality organic growth and external acquisitions.

## **SIGNIFICANT INVESTMENTS AND ACQUISITIONS**

As at 30th June, 2015, the Group made new investments of approximately RMB217 million (approximately HK\$271.3 million) in 9 city gas projects in Jilin, Yunnan, Zhejiang, Hunan, Guangxi, Shandong, Guangdong and Hebei Provinces. Two of these projects are wholly owned by the Group while the rest are joint ventures with majority controls. Another 5 projects totalling RMB92.7 million (approximately HK\$115.9 million) were invested at the sub-business units level.

A further 17 projects of RMB1,924.9 million (approximately HK\$2,406.1 million) have been announced or approved by the Board up to 25th August, 2015. These include the bigger projects in Qingdao, Qinghuangdao and Dalian.

The acquisitions will add to the Company's existing footprint in these provinces and create further cluster synergy with existing city gas projects in terms of centralized procurement, pipeline design & construction and management efficiency.

## **INTERIM DIVIDEND**

The Directors have resolved to declare the payment of an interim dividend of 10 HK cents per share for the six months ended 30th June, 2015 (six months ended 30th June, 2014: 5 HK cents per share), payable on 5th October, 2015 to shareholders on the register of members of the Company on 25th September, 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 21st September, 2015 to 25th September, 2015, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 18th September, 2015.

## **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, 2015.

## **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 and 2014. The contents of the Handbook include, among others, directors' duties, model code for directors' transactions in securities, model code for securities transaction by relevant employees, the functions and terms of reference of the Audit, 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, 2015, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provision D.1.4 which is explained as follows:

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 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 and 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, 2015.



## **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 2015 Interim Report will be dispatched to shareholders and published on the Stock Exchange’s designated website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.crgas.com.hk](http://www.crgas.com.hk)) in due course.

On behalf of the Board  
**CHINA RESOURCES GAS GROUP LIMITED**  
**WANG Chuandong**  
*Chairman*

Hong Kong, 25th August, 2015

*As at the date of this announcement, the directors of the Company are Mr. Wang Chuandong, Mr. Shi Shanbo, Mr. Ge Bin and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin, Mr. Wei Bin, Mr. Chen Ying and Mr. Wang Yan, being Non-executive Directors; and Mr. Wong Tak Shing, Ms. Yu Jian, Mr. Yu Hon To, David and Mr. Qin Chaokui, being Independent Non-executive Directors.*