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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2014

Despite challenging downstream city-gas distribution industry and general economic environment, CR Gas recorded an increase of 29% in turnover to HK\$28,717 million and registered a 15% increase in net profit attributable to equity shareholders to HK\$2,482 million.

Gross gas sales volume increased 10% to 13.32 billion m³ and total connected residential customers increased 13% to 20.74 million.

	<u>2014</u>	<u>2013</u>	<u>Increase</u>
Turnover (HK\$ million)	28,717	22,288	29%
Profit attributable to owners of the Company (HK\$ million)	2,482	2,161	15%
Basic earnings per share (HK\$)	1.14	1.00	14%
Interim dividend paid and proposed final dividend per share (HK\$)	0.25	0.22	14%
Gross gas sales volume (million m³)	13,323	12,091	10%
Accumulated total connected residential customers (million)	20.74	18.41	13%

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the final results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2014.

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 last 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 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 7.4% GDP growth rate compared to 7.7% in 2013.

The overall 2014 gas volume demand growth in China was only 5.6%, significantly down from the 12.9% registered in 2013.

Despite these challenging environment, city gas distribution business in China continued to contribute significant profit and cash inflow to the Group. The Group achieved an increase in turnover of 29% to HK\$28,717 million and recorded profit attributable to the Company's equity holders of HK\$2,482 million for the year ended 31st December, 2014, an increase of 15% over corresponding year. The operating profit from city gas distribution business increased by 25% to HK\$4,436 million and its operating cash inflow amounted to HK\$5,223 million about the same level as previous year.

Gross gas sales volume increased 10% from 12.09 billion m³ to 13.32 billion m³. This is despite of Chongqing Project (22.5% interest associate) registered a negative growth gas volume due to cessation of supply to a big state-owned fertiliser plant which consumes about 400 million m³ of gas annually as feedstock. This incident however did not impact the bottom line of Chongqing Project materially as the gas was traditionally supplied at an extremely low margin due to the subsidised nature of the fertiliser industry. Moreover, the gas volume released can be diverted to other customers in the future. Excluding the negative gas sales volume growth of Chongqing, the gross sale volume of the Group would have increased by 16%.

Tianjin Project (49% interest jointly-controlled enterprise) recorded a loss of HK\$92 million during the first half of 2014, the Group's share was HK\$45 million. The losses were mainly due to margin erosion resulting from inability to fully pass through the city-gate price increase of July 2013 and the procurement of higher cost LNG to supplement gas supply during the previous winter period. During the second half of 2014, Tianjin Project has not only fully passed through the new September 2014 city-gate price increase but also managed to increase more to wipe off the dollar margin erosion suffered in the July 2013 price hike. In addition, the recent winter procurement cost of LNG have been managed to lower level due to lower LNG volume requirement and lower price than previous winter. Thus for the second half of 2014, Tianjin Project registered a profit of HK\$3 million, a significant improvement compared to a loss of HK\$92 million for the first half of 2014. The Group's share of the loss decelerated during the second half of 2014 and consequently limited to HK\$44 million for entire 2014. Performance of Tianjin Project is expected to continue to improve in 2015

The total connected residential customers increased 13% from 18.41 million to 20.74 million, despite the softening of the private residential property market in 2014. This was mainly because the number of public housing units increased significantly in China under the government's policy to cushion the impact of the soft private property sector. The increase in the retrofitting of old households with new gas connections also helped to mitigate against the slowdown in the private residential property market.

The revenue of city gas distribution operation is derived from recurring gas sales and one-time gas connection fee which respectively accounts for 78% and 22% of the 2014 revenue (2013: 77% and 23% respectively).

The turnover of the city gas distribution operation for the year ended 31st December, 2014 amounted to HK\$28,717 million, an increase of 29% over that of 2013. The increase was mainly due to the increase in gas sales volume by 10% from 12.09 billion m³ to 13.32 billion m³ and the increase in connection fee income by 22% from HK\$5,124 million to HK\$6,236 million. The increase in gas sales and connection fee income were in turn driven by the following factors:

- (1) 18% increase in the daily installed capacity for commercial & industrial (“C&I”) customers from 40.31 million m³ to 47.43 million m³.
- (2) 13% increase in the number of connected households from 18.41 million to 20.74 million.

The city gas distribution operation registered an overall gross profit margin of 30.4% for 2014, which was 3.8 points lower than the 34.2% for 2013. This is because the gross margin of gas sales reduced from 25.8% to 22.2% and gross margin of connection fee decreased from 62.2% to 59.8% due to changes in city mix resulting in a reduction in average connection fee per household from RMB3,250 in 2013 to RMB3,160 in 2014. The lower overall gas sales margin was mainly due to lower margin achieved in sales to industrial customers arising from slight dollar margin erosion during gas price hikes and the increase in residential sales volume which are of lower gross margin.

Other income increased by HK\$397 million mainly due to increase in interest income of HK\$114 million arising from increasing cash pool deposits placed in banks as well as increase in sale of household gas equipment and related installation fee as well as pipeline construction income totalling of HK\$184 million.

The increase in absolute amounts of selling and distribution and general and administration expenses in 2014 were mainly due to numerous new projects acquired in 2013 and 2014, these recently acquired projects need time to attain higher operating efficiency. The main increases were staff costs and pipelines and related assets depreciation which increased by HK\$472 million and HK\$264 million respectively. As a percentage of revenue, selling and distribution expenses was lower at 9.5% for 2014 compared to the 10.6% for 2013. The general and administration expenses was also lower at 8.6% in 2014 compared to 10.0% in 2013.

Finance cost increased by HK\$13 million because of net increase of additional bank loans as well as the increase in floating interest rates on bank loans.

There was an increase of HK\$57 million or 8% contribution from joint ventures during the year compared to previous year. The increase could have been higher if not for the negative contribution of HK\$44 million (2013: HK\$35 million) from Tianjin Project for reasons as noted above.

There was an increase of HK\$5 million or 5% contribution from associates during the year compared to previous year. The increase could have been higher if not for the reduced contribution from Chongqing Project by HK\$12 million due to reasons as noted above.

Taxation increased significantly by HK\$422 million to HK\$1,409 million, representing 29.5% of profit before taxation. This is mainly due to PRC taxation expenses related to internal group restructuring and withholding tax on payments of offshore dividends, which were HK\$32 million and HK\$206 million respectively.

BUSINESS REVIEW AND PROSPECTS

During 2008, the Group acquired from China Resources (Holdings) Company Limited (“CRH”), the Company’s substantial and controlling shareholder, an initial batch of 7 city gas distribution businesses and assumed its role as the city gas distribution flagship of CRH. Since then, the Group has consistently acquired a batch of city gas projects from CRH every year, and up to 2012, the Group has acquired a total of 5 batches of 46 projects from CRH.

The Group also acquires city gas projects directly from independent third parties and up to 31st December, 2014, the Group has added 159 city gas projects in this manner, including projects in Direct Administrative Cities and Provincial Capitals.

Leveraging on the excellent industry fundamentals and the Group’s execution competency, the Company continues to expand rapidly via organic and acquisition growth. As at 31st December, 2014, the Company operates 205 city gas projects (including 13 provincial capitals and 3 direct administrative municipality) in 22 provinces in China with annual gross gas sales volume of 13.32 billion m³ and 20.74 million connected residential customers.

The on-going economic growth and urbanisation in China has continued to increase the demand for energy in China. In order to diversify energy base and reduce reliance on more polluting energy sources such as coal and crude oil, the PRC government has, in recent years, taken concrete measures to promote the development and utilisation of less polluting energy sources. Natural gas is considered an effective and cleaner substitute for conventional energy sources such as coal and crude oil. The PRC government has therefore been very supportive of the development of the natural gas industry in China.

To increase natural gas supply, the “West to East Gas Transmission” pipelines were constructed with the support of the PRC government to bring natural gas from the Xinjiang Autonomous Region to the coastal regions of the PRC. Construction of the second and third phases of the “West to East Gas Transmission” pipelines from Central Asia and the “Sichuan to East” pipelines from the gas rich Sichuan Province to coastal regions as well as the “Myanmar to Yunnan” gas pipeline have been completed. Construction of the “West to East Gas Transmission” Phase 4, Russia to North-East China gas pipeline as well as Liquefied Natural Gas terminals in coastal cities of the PRC are actively in progress. Natural gas price reform to close the price gap between imported and local gas prices and eventually to reach market driven level are also being implemented. Once realised, these measures are expected to more than double the supply of natural gas in China in the foreseeable future. CR Gas is assured of adequate gas supply by leveraging on the strategic gas supply arrangements with the three national oil and gas giants namely China National Petroleum Corporation, China Petroleum & Chemical Corporation and CNOOC Gas & Power Group.

The National Development and Reform Committee (“NDRC”) has announced in 2014 that the volume of gas demand is expected to reach 360 billion cubic metres by 2020, an increase of 101% over the 179 billion cubic meters achieved in 2014; and gas will account for 10% or more of the energy sources in China by then, up from the current 5% level. Despite the challenging environment in 2014 as noted above, the Group is confident that the PRC Government’s long-term strategic vision of heavily promoting the use of natural gas to diversify its energy sources and combat pollution remains unchanged. All relevant policies and measures will be constantly fine-tuned by NDRC to achieve this goal. This will continue to boost the demand and availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China.

On 28th February, 2015, NDRC announced that with effect from 1st April, 2015, the ceiling city gate gas price for existing volume will increase by RMB0.04/m³ and that for incremental volume will reduce by RMB0.44/m³. 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. 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 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.

The Group’s external acquisitions have started to turn around 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 expects external acquisitions to accelerate further in 2015.

The Group’s key business units in Zhengzhou, Wuxi, Chengdu, Nanjing, etc have continued to register good operating performances. Financial performance of Tianjin Project is expected to turn around in 2015 and profit contribution from Chongqing Project improve steadily.

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 2014 to focus intensely on various Bench-marking measures to improve operation efficiencies relentlessly.

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 acquisitions.

SIGNIFICANT INVESTMENTS

The Group has made or committed to make total investment of RMB1,554 million in 29 city gas distribution and related projects in the PRC (2013: investment of RMB643 million in 27 projects). Most of these projects are either wholly-owned or majority-owned by the Group.

In addition, as at 31st December, 2014, the Board has approved another 24 proposed city gas distribution and related projects with proposed investments of RMB675 million.

The above “Investments”, comprising investments made and proposed of RMB2,229 million, cover 53 projects in 20 provinces.

The Group has been active in seeking business opportunities to expand its core business of downstream city gas operation in the PRC over the recent years. Its existing city gas projects are strategically located in various provinces in the PRC. The Investments are part of the on-going expansion strategy of the Group with the aim of becoming the market leader in the downstream city gas industry in the foreseeable future.

The Investments will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in these provinces and has 17 regional offices set up in various strategic locations in the PRC. The projects of the Investments will be efficiently integrated and managed by the relevant regional office depending on their geographical locations. As such, the Directors consider that the Investments create synergy with the Group’s existing gas operation, thereby will broaden the Group’s revenue base as well as enhance and sustain its earning capabilities. After the completion of all the above outstanding Investments, the number of city gas distribution and related projects of the Group in China will increase to 229.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in the consolidated financial statements.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 20 HK cents per share. Together with the interim dividend of 5 HK cents per share paid in October 2014, total distribution for 2014 would thus be 25 HK cents per share (2013: 22 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 19th June, 2015 to shareholders on the register of members of the Company on 4th June, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26th May, 2015 to 29th May, 2015, both days inclusive. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 29th May, 2015, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 22nd May, 2015.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 4th June, 2015 and the register of members of the Company will be closed on Thursday, 4th June, 2015, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 3rd June, 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 shares during the year ended 31st December, 2014.

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 in 2008, 2009, 2010, 2012, 2013 and 2014 respectively. 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. The Company has throughout the year complied 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 mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Code throughout the year.

SUBSEQUENT EVENT

On 9th March, 2015, the Group entered into a joint venture with Qingdao Energy Group Limited, a state-owned enterprise established in Qingdao Municipal People's Government of the PRC. The Group will acquire a 49% interest in the joint venture, Qingdao Energy Gas Limited, by contributing to the proposed increase in its registered capital by an amount of RMB613 million.

The establishment of the joint venture will enable the Group to further extend its coverage and footprint in the PRC, particularly in Qingdao city which is one of the most economically developed cities in China with annual GDP exceeding RMB800 billion. The demand for piped natural gas in Qingdao city is expected to double from the current annual gas volume of some 400 million cubic meters to some 800 million cubic meters by 2020, thus offering tremendous growth prospect. The Group has existing city gas operations in various cities in Shandong Province such as Jinan, Jining, Zibo, etc. The joint venture will create synergy with the Group's existing gas operations, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

The Company considers the establishment of the joint venture would enable it to team up with Qingdao Energy Group Limited to accelerate gas infrastructure development and modernise gas distribution and management in Qingdao city to improve economic efficiency and to tap its vast potential in the future.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	3	28,717,025	22,288,027
Cost of sales		(20,001,128)	(14,665,908)
Gross profit		8,715,897	7,622,119
Other income		915,164	518,445
Selling and distribution expenses		(2,739,397)	(2,373,282)
Administrative expenses		(2,455,735)	(2,231,190)
Finance costs		4,435,929	3,536,092
Share of results of joint ventures		(536,954)	(523,558)
Share of results of associates		755,508	698,426
		105,213	99,901
Profit before taxation	4	4,759,696	3,810,861
Taxation	5	(1,408,837)	(987,107)
Profit for the year		3,350,859	2,823,754

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other comprehensive income for the year			
Exchange differences arising on translation that will not be reclassified to profit or loss		<u>(106,026)</u>	<u>635,630</u>
Total comprehensive income for the year		<u>3,244,833</u>	<u>3,459,384</u>
Profit for the year attributable to:			
Owners of the Company		2,481,628	2,160,945
Non-controlling interests		869,231	662,809
		<u>3,350,859</u>	<u>2,823,754</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		2,388,443	2,685,585
Non-controlling interests		856,390	773,799
		<u>3,244,833</u>	<u>3,459,384</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	7		
Basic		<u>1.14</u>	<u>1.00</u>
Diluted		<u>N/A</u>	<u>1.00</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		21,511,872	18,527,861
Prepaid lease payments		1,298,818	1,132,220
Investment properties		45,757	11,140
Interests in joint ventures		9,559,564	8,853,031
Interests in associates		1,990,259	1,956,465
Available-for-sale investments		52,292	21,383
Goodwill		1,042,033	409,952
Operating rights		790,569	758,244
Deferred tax assets		127,738	98,630
Deposits for operating rights		52,171	77,168
Deposit for prepaid lease payments		67,578	77,257
Deposits for property, plant and equipment		438,397	189,497
Deposits for investments		76,058	149,756
		<u>37,053,106</u>	<u>32,262,604</u>
Current assets			
Inventories		639,576	791,955
Trade and other receivables	8	6,997,804	6,665,784
Amounts due from customers for contract works		1,590,712	903,006
Prepaid lease payments		60,119	55,115
Loan to an intermediate holding company		694,532	–
Loan to a fellow subsidiary		707,695	–
Pledged bank deposits		65,986	219,149
Bank balances and cash			
– Cash and cash equivalents		7,552,519	6,722,425
– Other deposits		2,154,988	2,861,753
		<u>20,463,931</u>	<u>18,219,187</u>

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	9	12,871,276	11,470,251
Amounts due to customers for contract works		7,152,688	5,218,147
Government grants		32,394	12,154
Bank and other borrowings		3,296,513	858,749
Taxation payable		431,268	396,520
		<u>23,784,139</u>	<u>17,955,821</u>
Net current (liabilities) assets		<u>(3,320,208)</u>	<u>263,366</u>
		<u>33,732,898</u>	<u>32,525,970</u>
Capital and reserves			
Share capital	10	222,401	222,401
Reserves		15,842,697	13,960,534
Equity attributable to owners of the Company		<u>16,065,098</u>	<u>14,182,935</u>
Non-controlling interests		4,966,268	4,432,903
		<u>21,031,366</u>	<u>18,615,838</u>
Non-current liabilities			
Government grants		82,472	88,240
Bank and other borrowings		5,933,818	7,331,576
Senior notes		5,698,823	5,683,954
Other long-term liabilities		232,318	245,405
Deferred tax liabilities		754,101	560,957
		<u>12,701,532</u>	<u>13,910,132</u>
		<u>33,732,898</u>	<u>32,525,970</u>

NOTES:

1. BASIS OF PREPARATION

This announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

In preparing the 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\$3,320 million, and the Group has capital commitment of approximately HK\$1,224 million as at 31st December, 2014. As at 31st December, 2014, the Group has bank and other borrowings totalling approximately HK\$9,230 million of which approximately HK\$3,297 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.

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

The Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

The application of the above amendments to HKFRSs and a new interpretation in the current year has had no material effect on the amounts reported and/or disclosures set out in the Group’s consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ³
Amendments to HKAS 1	Disclosure initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 9	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

³ Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

HKFRS 15 “Revenue from Contracts with Customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company are in the process of ascertaining the financial effect of the application of these new and revised HKFRSs on the Group’s consolidated financial statements.

3. TURNOVER 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 liquefied petroleum gas for residential, commercial and industrial use

Gas connection – connection fee income and construction contracts for gas connection to the Group’s pipelines

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.

3. TURNOVER AND SEGMENT INFORMATION – continued

The information of segment revenue, segment results, segment assets and segment liabilities are as follows:

For the year ended 31st December, 2014

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover			
External sales	<u>22,480,639</u>	<u>6,236,386</u>	<u>28,717,025</u>
Results			
Segment results	<u>2,654,572</u>	<u>2,844,221</u>	5,498,793
Share of results of joint ventures			755,508
Share of results of associates			105,213
Finance costs			(536,954)
Unallocated income			785,427
Unallocated expenses			<u>(1,848,291)</u>
Profit before taxation			<u>4,759,696</u>

3. **TURNOVER AND SEGMENT INFORMATION – continued**

For the year ended 31st December, 2014 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	<u>26,203,401</u>	<u>4,519,154</u>	30,722,555
Interests in joint ventures			9,559,564
Interests in associates			1,990,259
Deferred tax assets			127,738
Unallocated corporate assets (<i>Note a</i>)			<u>15,116,921</u>
			<u>57,517,037</u>
LIABILITIES			
Segment liabilities	<u>5,345,185</u>	<u>10,446,347</u>	15,791,532
Taxation payable			431,268
Deferred tax liabilities			754,101
Unallocated corporate liabilities (<i>Note b</i>)			<u>19,508,770</u>
			<u>36,485,671</u>

3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2014 – continued

Other information

Amounts included in the measure of segment profit and segment assets:

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets (<i>Note c</i>)	3,892,415	–	2,967,679	6,860,094
Addition to non-current assets arising from acquisition of subsidiaries	441,533	–	108,176	549,709
Depreciation and amortisation (<i>Note c</i>)	748,133	–	200,523	948,656
Release of prepaid lease payments	–	–	50,325	50,325
Impairment loss on trade receivables	125,984	–	–	125,984
Loss on disposal of property, plant and equipment	31,670	–	–	31,670
Loss on deemed disposal of partial interest in an associate	–	–	29,264	29,264
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31st December, 2013

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover			
External sales	17,164,278	5,123,749	22,288,027
	<u> </u>	<u> </u>	<u> </u>
Results			
Segment results	2,247,139	2,492,593	4,739,732
	<u> </u>	<u> </u>	
Share of results of joint ventures			
Share of results of associates			698,426
Finance costs			99,901
Unallocated income			(523,558)
Unallocated expenses			595,872
			<u> </u>
Profit before taxation			3,810,861
			<u> </u>

3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2013 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	<u>22,015,545</u>	<u>2,209,792</u>	24,225,337
Interests in joint ventures			8,853,031
Interests in associates			1,956,465
Deferred tax assets			98,630
Unallocated corporate assets (<i>Note a</i>)			<u>15,348,328</u>
			<u>50,481,791</u>
LIABILITIES			
Segment liabilities	<u>2,759,135</u>	<u>6,481,791</u>	9,240,926
Taxation payable			396,520
Deferred tax liabilities			560,957
Unallocated corporate liabilities (<i>Note b</i>)			<u>21,667,550</u>
			<u>31,865,953</u>

3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2013 – continued

Other information

Amounts included in the measure of segment profit and segment assets:

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets (<i>Note c</i>)	3,842,211	–	241,390	4,083,601
Addition to non-current assets arising from acquisition of subsidiaries	2,432,167	–	–	2,432,167
Depreciation and amortisation (<i>Note c</i>)	466,589	–	105,887	572,476
Release of prepaid lease payments	–	–	50,676	50,676
Impairment loss on trade receivables	26,410	–	–	26,410
Gain on disposal of property, plant and equipment	6,712	–	–	6,712
Loss on disposal of investment properties	–	–	727	727
	<u> </u>	<u> </u>	<u> </u>	<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, amount due from a joint venturer, 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, consideration payable for acquisition of subsidiaries, bank and other borrowings, senior notes and other long-term liabilities (excluding payable for acquisition of operating rights). 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.
- (c) The Group allocates all property, plant and equipment to respective segment while certain additions to property, plant and equipment and depreciation of property, plant and equipment are unallocated.

Geographical information

The Group's turnover and non-current assets (excluded financial instruments and deferred tax assets) are arisen in and located in the People's Republic of China ("PRC") during both years.

Information about major customers

No single external customer contributed revenue from transactions amounting to 10% or more of the revenue of the Group during both years.

4. PROFIT BEFORE TAXATION

	2014 HK\$'000	2013 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	22,297	26,026
Other staff		
– Salaries and bonus	1,888,603	1,352,611
– Other benefits	388,629	586,661
– Performance related incentive payments under the Incentive Award Scheme	27,213	36,173
– Retirement benefits schemes contributions	371,221	279,609
	<u>2,697,963</u>	<u>2,281,080</u>
Total staff costs		
	<u>2,697,963</u>	<u>2,281,080</u>
Auditor's remuneration	8,831	5,378
Depreciation of property, plant and equipment	913,887	530,779
Release of prepaid lease payments	50,325	50,676
Depreciation of investment properties	1,305	12,177
Amortisation of operating rights (included in administrative expenses)	33,464	29,520
Impairment loss on trade receivables	125,984	26,410
Operating lease rentals in respect of rented premises	136,642	106,041
Loss (gain) on disposal of property, plant and equipment	31,670	(6,712)
Loss on disposal of prepaid lease payments	19,716	–
Loss on disposal of investment properties	–	727
Loss on deemed disposal of partial interest in an associate (Note)	29,264	–
Exchange (gain) loss, net	(6,606)	7,707
Government grants	(25,851)	(65,285)
Interest on bank deposits	(137,858)	(96,783)
Interest on other deposits	(130,913)	(144,296)
Interest income from deposits placed in a fellow subsidiary	(20,396)	(7,273)
Interest income from loan to an intermediate holding company	(51,603)	–
Interest income from loan to a fellow subsidiary	(7,695)	–
Interest income from joint ventures	(2,945)	(3,829)
Interest income from a joint venturer	(5,094)	(15,575)
Rental income from investment properties (net of negligible outgoings)	(4,929)	(2,907)
	<u>(4,929)</u>	<u>(2,907)</u>

Note: During the year, 重慶燃氣集團股份有限公司 (“重慶燃氣”) listed its shares on the Shanghai Stock Exchange. As a result, the Group's interest in 重慶燃氣 reduced from 25% to 22.49% and the Group had a loss of HK\$29,264,000 on deemed disposal of partial interest in 重慶燃氣.

5. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax	1,140,943	875,084
Underprovision in prior years	2,016	19,464
Withholding tax paid for distributed profits of investments in the PRC	98,122	77,253
	<u>1,241,081</u>	<u>971,801</u>
Deferred taxation		
Current year	167,756	15,306
	<u>1,408,837</u>	<u>987,107</u>

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to 1st January, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

6. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2014 interim dividend – 5 HK cents per share (2013: 2013 interim dividend – 2 HK cents per share)	108,637	44,480
2013 final dividend – 20 HK cents per share (2013: 2012 final dividend – 14 HK cents per share)	434,547	303,874
	<u>543,184</u>	<u>348,354</u>

The directors recommend the payment of a final dividend of 20 HK cents per share for the year ended 31st December, 2014 (2013: 20 HK cents per share) amounting to HK\$434,928,000 (2013: HK\$434,547,000).

7. EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	2,481,628	2,160,945
	2014	2013
Number of shares:		
Weighted average number of shares in issue less shares held for incentive award scheme for the purpose of basic earnings per share	2,172,768,251	2,170,601,351
Effect of dilutive potential shares Share options	N/A	452
Weighted average number of shares in issue less shares held for incentive award scheme for the purpose of diluted earnings per share	N/A	2,170,601,803

8. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 90 days to its customers. The aged analysis of trade receivables, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 90 days	3,356,160	2,621,904
91 – 180 days	325,603	40,992
181 – 365 days	194,180	166,272
Over 365 days	79,435	148,438
	3,955,378	2,977,606

9. TRADE AND OTHER PAYABLES

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 90 days	2,867,924	4,251,392
91 – 180 days	486,896	343,425
181 – 365 days	737,045	353,772
Over 365 days	584,467	307,213
	<u>4,676,332</u>	<u>5,255,802</u>

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

10. SHARE CAPITAL

	Number of shares	Nominal value of shares <i>HK\$'000</i>
Shares of HK\$0.10 each		
Authorised:		
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1st January, 2013	2,224,010,871	222,401
Issue of shares upon exercise of share options (<i>Note</i>)	<u>2,000</u>	<u>–</u>
At 31st December, 2013 and 31st December, 2014	<u>2,224,012,871</u>	<u>222,401</u>

Note: During the year ended 31st December, 2013, 2,000 share options were exercised at an exercise price of HK\$9.06 per share. The new shares issued rank pari passu in all respects with the existing shares in issue.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2014 have been reviewed by the Audit Committee of the Company, which comprises two Independent Non-executive Directors and one Non-executive Director, and have been audited by the Company's auditor, Deloitte Touche Tohmatsu. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Annual Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.crgas.com.hk) in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere appreciation to our business partners, customers and shareholders for their unfailing support as well as all the Group's employees for their hard work and dedication in carrying out their duties and in achieving the Group's business goal.

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

Hong Kong, 26th March, 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.