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, 2018

During 2018, CR Gas registered a 21.8% increase in net profit attributable to shareholders to HK$4,450 million and its net operating cash flow increased by 7.0% to HK$8,342 million. The Board of CR Gas recommends an increase of 40% in total dividend per share to HK$0.77.

	2018	2017	Increase
Turnover (HK$ million)	**51,165**	39,838	**28.4%**
Profit attributable to owners of the Company (HK$ million)	**4,450**	3,654	**21.8%**
Basic earnings per share (HK$)	**2.04**	1.68	**21.4%**
Net operating cash flow (HK$ million)	**8,342**	7,796	**7.0%**
Interim dividend paid and proposed final dividend per share (HK$)	**0.77**	0.55	**40.0%**
Gross gas sales volume (million m^3)	**24,278**	19,667	**23.4%**
Total new connected residential customers (million)	**3.22**	3.00	**7.3%**

The board of directors (the "Board") of China Resources Gas Group Limited (the "Company" or "CR Gas") is pleased to announce the final results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31st December, 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	**51,165,371**	39,837,597
Cost of sales		**(37,543,643)**	(27,921,808)
Gross profit		**13,621,728**	11,915,789
Other income	5	**936,984**	690,684
Selling and distribution expenses		**(4,131,753)**	(3,734,037)
Administrative expenses		**(2,829,966)**	(2,585,015)
Impairment losses on financial assets, net		**(66,933)**	17,641
Finance costs		**(459,632)**	(479,103)
Share of results of joint ventures		**557,324**	654,378
Share of results of associates		**249,297**	133,047
Profit before taxation	6	**7,877,049**	6,613,384
Taxation	7	**(1,988,638)**	(1,702,517)
Profit for the year		**5,888,411**	4,910,867
Other comprehensive income (expense) for the year			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(1,407,968)**	1,990,347
Item that will not be subsequently reclassified to profit or loss			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax		**(60,287)**	–
Total comprehensive income for the year		**4,420,156**	6,901,214
Profit for the year attributable to:			
Owners of the Company		**4,450,101**	3,653,994
Non-controlling interests		**1,438,310**	1,256,873
		5,888,411	4,910,867
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,197,594**	5,204,602
Non-controlling interests		**1,222,562**	1,696,612
		4,420,156	6,901,214
		HK$	*HK$*
Earnings per share	9		
Basic		**2.04**	1.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**30,918,515**	28,608,288
Prepaid lease payments		**1,926,460**	1,714,508
Investment properties		**68,182**	46,151
Investments in joint ventures		**9,510,144**	10,818,388
Investments in associates		**3,438,449**	2,227,235
Equity investments designated at fair value through other comprehensive income		**123,605**	–
Available-for-sale investments		**–**	67,006
Goodwill		**668,860**	677,681
Operating rights		**1,234,006**	1,258,813
Deferred tax assets		**265,822**	239,961
Deposits for operating rights		**1,593**	2,838
Deposits for prepaid lease payments		**79,256**	71,018
Deposits for property, plant and equipment		**309,642**	258,853
		48,544,534	45,990,740
Current assets			
Inventories		**940,057**	595,051
Trade and other receivables	*10*	**10,964,798**	9,462,556
Assets related to contract works		**2,625,560**	–
Amounts due from customers for contract works		**–**	2,257,359
Prepaid lease payments		**96,583**	90,364
Pledged bank deposits		**7,550**	11,753
Bank balances and cash		**10,392,696**	10,355,981
		25,027,244	22,773,064
Current liabilities			
Trade and other payables	*11*	**18,485,551**	13,241,708
Contract liabilities		**12,342,544**	–
Amounts due to customers for contract works		**–**	12,808,001
Government grants		**68,116**	40,924
Bank and other borrowings		**2,634,961**	5,327,669
Taxation payable		**715,910**	592,670
		34,247,082	32,010,972
Net current liabilities		**(9,219,838)**	(9,237,908)
		39,324,696	36,752,832

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**222,401**	222,401
Reserves	**23,858,719**	21,770,247
Equity attributable to owners of the Company	**24,081,120**	21,992,648
Non-controlling interests	**7,527,360**	7,176,677
	31,608,480	29,169,325
Non-current liabilities		
Government grants	**224,247**	162,887
Bank and other borrowings	**251,382**	251,516
Senior notes	**5,823,508**	5,787,534
Other long-term liabilities	**188,647**	159,358
Deferred tax liabilities	**1,228,432**	1,222,212
	7,716,216	7,583,507
	39,324,696	36,752,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2018

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 People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK$'') as the Company is a public company with its shares listed on the Stock Exchange in Hong Kong where most of its investors are located and therefore, the directors of the Company consider that HK$ is preferable in presenting the operating result and financial position of the Group.

2. BASIS OF PREPARATION

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 HK$9,219,838,000, and the Group has capital commitments of HK$252,872,000 and commitments under non-cancellable operating leases of HK$150,433,000 due within one year as at 31st December, 2018. As at 31st December, 2018, the Group has bank and other borrowings totalling HK$2,886,343,000 of which HK$2,634,961,000 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$10,146,414,000 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 31st December, 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers and the related amendments*
HK(IFRIC) – Int 22	*Foreign currency transactions and advance consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of investment property*
Annual improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1st January, 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 Financial instruments – continued

Classification and measurement

The following information sets out the impact of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculation with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1st January, 2018 is as follows:

		HKAS 39 Measurement				HKFRS 9 Measurement	
	Notes	**Category**	**Amount** *HK$'000*	**Re-classification** *HK$'000*	**Fair value adjustment** *HK$'000*	**Amount** *HK$'000*	**Category**
Financial assets							
Equity investments at fair value through other comprehensive income	*(i)*	N/A	–	67,006	88,915	155,921	FVOCI[1] (equity)
From: Available-for-sale investments	*(i)*			67,006	–		
Available-for-sale investments	*(i)*	AFS[2]	67,006	(67,006)	–	–	N/A
To: Equity investments at fair value through other comprehensive income	*(i)*			(67,006)	–		
Trade receivables	*(ii)*	L&R[3]	4,334,126	–	–	4,334,126	AC[4]
Other receivables and other assets		L&R[3]	1,396,750	–	–	1,396,750	AC[4]
Pledged bank deposits		L&R[3]	11,753	–	–	11,753	AC[4]
Bank balances and cash		L&R[3]	10,355,981	–	–	10,355,981	AC[4]
Contract asset	*(ii)*		851,394	–	–	851,394	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 3(b) to the financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 9 Financial instruments – continued

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss "ECL" approach.

The Group records an allowance for ECLs on financial assets which are subject to impairment under HKFRS 9, including all loans and other debt financial assets and contract assets.

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other assets that are subject to impairment under HKFRS 9, the Group assessed for their impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As a result of the adoption of HKFRS 9, certain comparative information in these consolidated financial statements may not be comparable as it was prepared in accordance with HKAS 39.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue and related interpretations* and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1st January, 2018.

The cumulative effect of the initial application of HKFRS 15 didn't involve an adjustment to the opening balance of retained profits as at 1st January, 2018, and the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRS 15 Revenue from Contracts with Customers – continued

The Group mainly engages in the businesses of gas sales and gas connection. The effects of the adoption of HKFRS 15 are further explained as follows:

(a) Accounting for sale of goods (including gas fuel, gas appliances and related products)

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 didn't have any impact on the timing of revenue recognition.

(b) Accounting for Gas connection/design and construction services

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from customers for contract works and were recorded as amounts due from customers for contract works in the statement of financial position before the gas connection construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring gas connection construction services to customers and the Group's right to consideration is conditional, and the cost incurred to fulfil the gas connection contracts is recognized as an asset before amortized into cost of sales in line with the certified progress of the construction services. Accordingly, the Group reclassified HK$851,394,000 from amounts due from customers for contract works to contract assets, and HK$1,405,965,000 from amounts due from customers for contract works to costs to fulfil contracts with customers as at 1st January, 2018. And the contract assets and the costs to fulfil contracts with customers are disclosed under a separate financial statement line item named "Assets related to contract works" as at 1st January, 2018.

Before the adoption of HKFRS 15, the Group recognised consideration received from gas connection customers in advance as amounts due to customers for contract works. Under HKFRS 15, the amount is classified as contract liabilities which is presented as a separate financial statement line item. Therefore, upon adoption of HKFRS 15, the Group reclassified HK$12,808,001,000 from amounts due to customers for contract works to contract liabilities as at 1st January, 2018 in relation to the consideration received from customers in advance as at 1st January, 2018.

Amendments to HKAS 40

Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

HK(IFRIC) – Int 22

HK(IFRIC) – Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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) Sale 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.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

4. REVENUE AND SEGMENT INFORMATION – continued

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

For the year ended 31st December, 2018

Segment revenue and results

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
Revenue						
External sales	**35,750,705**	**9,942,691**	**337,697**	**676,404**	**4,457,874**	**51,165,371**
Results						
Segment results	**4,439,350**	**4,131,634**	**53,366**	**102,369**	**799,950**	**9,526,669**
Share of results of joint ventures						**557,324**
Share of results of associates						**249,297**
Finance costs						**(459,632)**
Unallocated income						**576,270**
Unallocated expenses						**(2,572,879)**
Profit before taxation						**7,877,049**

4. **REVENUE AND SEGMENT INFORMATION – continued**

For the year ended 31st December, 2018 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products *HK$'000*	Gas Connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	**36,686,161**	**4,343,318**	**155,602**	**136,702**	**1,656,750**	**42,978,533**
Interests in joint ventures						**9,510,144**
Interests in associates						**3,438,449**
Deferred tax assets						**265,822**
Unallocated corporate assets *(Note a)*						**17,378,830**
						73,571,778
LIABILITIES						
Segment liabilities	**3,843,698**	**14,011,947**	**100,713**	**1,090,049**	**96,994**	**19,143,401**
Taxation payable						**715,910**
Deferred tax liabilities						**1,228,432**
Unallocated corporate liabilities *(Note b)*						**20,875,555**
						41,963,298

4. **REVENUE AND SEGMENT INFORMATION – continued**

For the year ended 31st December, 2018 – continued

Other information

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

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	6,556,513	–	–	6,765	65,034	36,732	6,665,044
Depreciation and amortisation	1,594,753	–	–	1,127	84,433	1,803	1,682,116
Release of prepaid lease payments	60,415	–	–	–	–	–	60,415
(Reversal of impairment loss)/ impairment loss on trade receivables, net	(25,237)	60,209	(490)	226	4,625	–	39,333
Impairment loss on other receivables, net	–	–	–	–	–	27,600	27,600
Loss on disposal of property, plant and equipment	2,195	–	–	–	–	–	2,195
Loss on disposal of prepaid lease payments	1,227	–	–	–	–	–	1,227

For the year ended 31st December, 2017

Segment revenue and results

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
Revenue						
External sales	25,532,665	8,927,369	394,560	1,434,070	3,548,933	39,837,597
Results						
Segment results	3,035,129	4,005,796	50,321	186,354	624,172	7,901,772
Share of results of joint ventures						654,378
Share of results of associates						133,047
Finance costs						(479,103)
Unallocated income						498,552
Unallocated expenses						(2,095,262)
Profit before taxation						6,613,384

4. **REVENUE AND SEGMENT INFORMATION – continued**

For the year ended 31st December, 2017 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	33,578,867	3,555,009	201,180	777,496	1,756,347	39,868,899
Interests in joint ventures						10,818,388
Interests in associates						2,227,235
Deferred tax assets						239,961
Unallocated corporate assets *(Note a)*						15,609,321
						68,763,804
LIABILITIES						
Segment liabilities	4,017,057	14,327,499	74,330	1,088,186	282,788	19,789,860
Taxation payable						592,670
Deferred tax liabilities						1,222,212
Unallocated corporate liabilities *(Note b)*						17,989,737
						39,594,479

4. **REVENUE AND SEGMENT INFORMATION – continued**

For the year ended 31st December, 2017 – continued

Other information

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

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	4,846,210	–	–	9,043	161,241	4,801	5,021,295
Depreciation and amortisation	1,528,109	–	–	2,911	111,510	3,265	1,645,795
Release of prepaid lease payments	82,150	–	–	–	1,571	–	83,721
(Reversal of impairment loss)/ impairment loss on trade receivables, net	(40,330)	–	511	1,457	–	–	(38,362)
Impairment loss on other receivables, net	–	–	–	–	20,721	–	20,721
Loss on disposal of property, plant and equipment	10,757	–	–	–	–	–	10,757

Notes:

a. Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries, investment properties, equity investments designated at fair value through other comprehensive income, available-for-sale investments, other receivables, pledged bank deposits, other 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.

Geographical information

Information about the Group's non-current assets (excluding financial instruments and deferred tax assets) is presented based on the locations of the assets:

	2018 ***HK$'000***	2017 *HK$'000*
PRC	**48,154,121**	45,682,633
Hong Kong	**986**	1,140
	48,155,107	45,683,773

The Group's revenue is arisen in the PRC during both years.

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Other income included:		
Government grants	**114,927**	39,104
Interest income from bank deposits	**12,362**	39,506
Interest income from other deposits *(note)*	**274,933**	183,676
Dividend income from equity investments at fair value through other comprehensive income	**484**	–
Interest income from deposits placed with a fellow subsidiary	**36,883**	7,860
Interest income from loan to a fellow subsidiary	**4,441**	22,780
Interest income from loan to an intermediate holding company	**2,951**	–
Interest income from joint ventures	**2,028**	2,551
Gain on disposal of joint ventures	**12,936**	–
Rental income (outgoings of HK$3,175,000 (2017: HK$3,601,000))	**28,981**	23,904

Note: At 31st December, 2018, interest income from other deposits consisted of interest income from principal protected deposits and bank financing products denominated in RMB issued by banks in the PRC.

6. PROFIT BEFORE TAXATION

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments	**14,691**	15,842
Other staff		
– Salaries and bonus	**2,711,211**	2,512,935
– Other benefits	**799,210**	559,729
– Retirement benefit scheme contributions	**583,592**	509,068
Total staff costs	**4,108,704**	3,597,574
Auditor's remuneration	**11,857**	14,738
Depreciation of property, plant and equipment	**1,626,869**	1,563,290
Release of prepaid lease payments	**60,415**	83,721
Depreciation of investment properties	**1,803**	3,265
Amortisation of operating rights (included in administrative expenses)	**53,444**	79,240
Impairment of financial assets, net		
– Impairment/(reversal) of trade receivables, net	**39,333**	(38,362)
– Impairment of other receivables, net	**27,600**	20,721
Loss on disposal of property, plant and equipment	**2,195**	10,757
Loss on disposal of prepaid lease payments	**1,227**	–
Operating lease rentals in respect of rented premises	**211,932**	171,786

7. TAXATION

	2018	2017
	HK$'000	*HK$'000*
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax	**2,030,151**	1,716,831
Overprovision in prior years	**(60,810)**	(39,214)
Withholding tax paid for distributed profits and intergroup restructuring of investments in the PRC	**92,530**	83,297
	2,061,871	1,760,914
Deferred taxation	**(73,233)**	(58,397)
	1,988,638	1,702,517

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong did not have assessable profits, accordingly no provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the both years.

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% except for certain group entities which are entitled to various concessionary tax rates or tax exemptions and reliefs.

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.

8. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2018 interim dividend – 15 HK cents per share (2017: 2017 interim dividend – 15 HK cents per share)	**326,741**	326,732
2017 final dividend – 40 HK cents per share (2017: 2016 final dividend – 30 HK cents per share)	**871,296**	653,465
	1,198,037	980,197

The directors recommend the payment of a final dividend of 62 HK cents (2017: 40 HK cents) per share for the year ended 31st December, 2018 in an aggregate amount of HK$1,350,494,000 (2017: HK$871,296,000).

9. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**4,450,101**	3,653,994

	2018	2017
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	**2,178,215,487**	2,178,215,487

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

10. TRADE AND OTHER RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**3,561,184**	3,667,867
91 – 180 days	**297,942**	398,809
181 – 365 days	**210,670**	221,793
Over 365 days	**108,205**	45,657
	4,178,001	4,334,126

11. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**4,338,115**	4,395,132
91 – 180 days	**596,434**	613,272
181 – 365 days	**786,497**	812,793
Over 365 days	**598,801**	797,493
	6,319,847	6,618,690

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

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2018 have been reviewed by the Audit and Risk Management Committee of the Company, which comprises three Independent Non-executive Directors and two Non-executive Directors, and have been audited by the Company's auditor, Ernst & Young. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

BUSINESS REVIEW

Annual Results

In 2018, benefiting from the steady operation of China's macro economy and the continued promotion of environmental protection policies, China's natural gas consumption increased significantly to reach 280.3 billion cubic meters, representing a year-on-year increase of 18.1%. Capturing market opportunities, the Group achieved rapid development, recording an annual gas sales volume of 24.28 billion cubic meters, representing a year-on-year increase of 23.4%. The number of gas users reached 34.64 million, representing a year-on-year increase of 12.4%. The Group continued to reinforce the management foundation and pushed for internal reform, which resulted in continuous improvement in operating efficiency and steady increase in profitability. The profit attributable to owners of the Company was HK$4.45 billion, representing a year-on-year increase of 21.8%. The Group proposed to pay a final dividend of 62 HK cents per share, bringing a total dividend of 77 HK cents per share for the year, representing an increase of 40.0% from 55 HK cents per share in 2017, with a dividend payout ratio of 37.7%.

Sale of natural gas

In 2018, the PRC government implemented a series of environmental protection policies, with an aim to continue the promotion of air pollution control and reinforce "coal-to-gas conversion" plan in civil, heating, industrial and other industries in key areas. Leveraging on the advantage of the opportunity to prevent and combat air pollution, the Group tapped on the potential of the industrial and commercial market and actively promoted the consumption of natural gas by industrial and commercial users to achieve rapid growth in gas sales volume. During the year, the Group's natural gas sales volume reached 24.28 billion cubic meters, among which, the industrial gas sales volume reached 11.41 billion cubic meters, representing an increase of 32.0% and accounting for 47.0% of the total gas sales volume of the Group. The commercial gas sales volume reached 5.45 billion cubic meters, representing an increase of 22.5% and accounting for 22.4% of the total gas sales volume of the Group, and residential gas sales volume increased by 15.8% to 5.52 billion cubic meters, accounting for 22.7% of the total gas sales volume of the Group.

Development of new users

Benefiting from a larger market share of gas projects in cities with a developed economy, coupled with the rapid development of urbanization, the Group's gas connection business for residential users has been growing constantly, connecting 3.22 million new residential users for the year, including 500,000 old residential users and 300,000 rural coal-to-gas conversion users, and connected 20,000 new industrial and commercial users. As of the end of 2018, the average gas penetration rate of the Group's city-gas projects in China increased from 48.4% at the end of 2017 to 50.3%.

New project expansion

The Group continued to focus on developing city gas business, its core business. Leveraging on outstanding market expansion capabilities, good corporate branding and operational excellence, the Group completed the registration of 19 subsidiaries with a total investment of HK$1.49 billion in 2018. The city gas projects the Group acquired are located in places such as Jiangyin, Zoucheng, Yangshan and Wuming, resulting in expansion of the area under concession right of 10 thousand square kilometres , the expected number of new users of 600 thousand and the increase in gas sales volume by 130 million m^3.

By the end of 2018, the number of city gas projects of the Group has reached 248, covering 22 provinces, 3 direct administrative municipalities and 73 prefecture-level cities. 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

Following the continuous optimization of economic structure in China over the recent years, the demand for clean energy has been increasing. Riding on the policy support and the advantage arising from booming market for gas projects as well as customer resources, the Group took the initiatives to develop new businesses such as distributed energy and charging posts to meet the needs for energy from different customers, which has fostered new growth points and expanded our income stream.

In 2018, 6 new distributed energy projects were approved by the Group, with a total investment estimated to be HK$1.07 billion. Upon completion, these projects will contribute an installed capacity of 108MW and an additional gas volume of 270 million cubic meters.

In terms of charging posts business, charging posts in Hangzhou and Nanjing companies were put into service with stable operation, and 38 operation sites were established, with an annual charging capacity of 62.0 million kWh and an operating profit of HK$16.40 million. Bus charging stations from Zhenjiang and Yueyang companies were put into operation successively in 2019, further expanding the scale of charging posts business.

Value-added business development

The Group thoroughly explored customer value and vigorously promoted value-added services. In 2018, the Group realized value-added business income of HK$1.55 billion, representing a year-on-year increase of 34.8%. Among them, gas insurance realized premium income of HK$190 million, representing a year-on-year increase of 111%. The Group will continue to take flexible market-based approaches to make the value-added services a new profit growth point for the Company in the future.

Key financial information

In 2018, the Group recorded a turnover of HK$51.165 billion, representing a year-on-year increase of 28.4%. The Group's overall gross profit margin was 26.6%, representing a decrease of 3.3 percentage points as compared with last year. The decrease in gross profit margin was mainly attributable to the proportion of revenue from sales and distribution of gas fuel and related products and revenue derived from gas stations to turnover increased significantly from 73% last year to 78.6% in 2018 while the proportion of revenue from gas connection with relatively high gross profit margin decreased from 22.4% last year to 19.4%. The Group believed that the increase in the proportion of gas sales revenue reflected the continuous optimization of the Group's business structure, laying a solid foundation for the Group's future sustainable development.

The Group has been adopting prudent financial resources management policies to keep borrowings and capital expenditure at a sound level. In 2018, the Group's cash flow achieved a rapid growth. The operating cash flow during the year reached HK$8.342 billion, a year-on-year increase of 7.0%. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future.

Having taken into account the Group's sustained and steady growth and rising performance quality, three international rating agencies, namely Moody's, Standard & Poor's and FitchRatings, published reports in 2018, upgrading the credit rating of the Group to A3, A- and A-, respectively. The upgrade in credit rating reflects 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.

DEVELOPMENT PROSPECT

In 2018, Chinese macro economy continued to maintain stable growth. With the effective implementation of policies including the promotion of "coal-to-gas conversion" strategy, the market demand for natural gas maintained a rapid growth, and the status of natural gas in China's energy structure was further enhanced. The "13th Five-Year Plan for Energy Development" required that the natural gas supply capacity shall reach over 360 billion cubic meters by 2020, and the proportion of natural gas consumption in primary energy consumption shall reach 10%. On one hand, the State continues to increase the use of natural gas in combination with environmental protection policies. On the other hand, the development of the industry is regulated from four stages of production, supply, storage and marketing, and the reform of natural gas industry in China is further deepened.

In 2019, the Group, by capturing the opportunities arising from the development of the industry, will take the initiative in cooperating with the natural gas promotion and utilization policies of governments at all levels to achieve sustainable and rapid growth in its core city gas business. While focusing on the development of the main businesses, the Group will also focus on the expansion of industry chains, explore customer value orientation, 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.

CORPORATE SOCIAL RESPONSIBILITY

In the process of rapid development of the Company, CR Gas has actively promoted the development of corporate governance of the board of directors, has developed an effective corporate governance structure by establishing the board of directors and the management and constantly enhancing the structure and mechanism which specify their powers and responsibilities, ensure that staff is committed to their respective roles with effective counterbalance and make scientific decisions. The Company has attached great importance to integrity and compliance operation, abided by the laws and regulations, international practices and business ethics, and adhered to the principle of fairness and integrity to deal with stakeholders such as employees, suppliers, customers, government authorities, partners and competitors, so as to gain market and respect with integrity and enhance the intrinsic quality and value of the Company with compliance operation.

In terms of sustainable development, facing the future, the Company will actively explore and expand the integrated and synergistic development of industrial value chain, create a green and low-carbon energy structure, and play an important role in optimizing urban energy structure, promoting urban low-carbon economic development, protecting the ecological environment, and improving the image of cities and investment environment.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 62 HK cents per share. Together with the interim dividend of 15 HK cents per share paid, total distribution for 2018 would thus be 77 HK cents per share (2017: 55 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 14th June, 2019 to shareholders whose names appear on the register of members of the Company on 31st May, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20th May, 2019 to Friday, 24th May, 2019, 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 Friday, 24th May, 2019, 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 Friday, 17th May, 2019.

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 Friday, 31st May, 2019 and the register of members of the Company will be closed on Friday, 31st May, 2019, during which no transfer of shares of the Company will be registered. In order to 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 Thursday, 30th May, 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 year ended 31st December, 2018.

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 transaction 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. The Company has throughout the year complied with the mandatory provisions of the Code except for the deviation from the code provisions D.1.4, E.1.2 and E.1.3 which are 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.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 23rd May, 2018 due to other business engagements.

Under the code provision E.1.3, the Company should arrange for the notice to be sent to shareholders at least 20 clear business days before the annual general meeting. The Company did not comply with this requirement because the Company required additional time to finalise the annual report.

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.

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 code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year.

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.crcgas.com) 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.

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

Hong Kong, 22nd March, 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.