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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The key interim performance indicators of CR Gas are as follows:

	1st Half 2023	1st Half 2022	Increase
Revenue (HK\$ million)	48,370	48,101	0.6%
Profit attributable to owners of the Company (HK\$ million)	3,545	3,045	16.4%
Basic earnings per share (HK\$)	1.56	1.34	16.4%
Gross gas sales volume (million m³)	19,842	18,562	6.9%
Accumulated total connected customers (million)	55.85	48.83	14.4%

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 (the “Period”) with comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$' 000	HK\$' 000
		(Unaudited)	(Unaudited)
Revenue	4	48,369,601	48,100,627
Cost of sales		(39,550,736)	(39,273,644)
Gross profit		8,818,865	8,826,983
Other income		1,208,214	402,477
Selling and distribution expenses		(2,812,059)	(2,879,161)
Administrative expenses		(1,617,144)	(1,560,582)
Finance costs		(433,884)	(223,783)
Share of results of joint ventures		197,782	370,489
Share of results of associates		230,292	210,473
Profit before taxation		5,592,066	5,146,896
Taxation	5	(1,034,520)	(1,217,619)
Profit for the period	6	4,557,546	3,929,277
Other comprehensive income for the period:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		(1,226,465)	(2,748,734)
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax		(1,090)	(21,560)
Total comprehensive income for the period		3,329,991	1,158,983
Profit for the period attributable to:			
Owners of the Company		3,545,256	3,045,380
Non-controlling interests		1,012,290	883,897
		4,557,546	3,929,277
Total comprehensive income for the period attributable to:			
Owners of the Company		2,518,688	1,158,725
Non-controlling interests		811,303	258
		3,329,991	1,158,983
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Earnings per share – Basic	8	1.56	1.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2023

	<i>Notes</i>	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>9</i>	56,979,413	48,464,774
Investment properties		194,373	83,506
Right-of-use assets	<i>10</i>	3,529,121	3,274,290
Interests in joint ventures		18,288,152	17,073,491
Interests in associates		3,310,426	7,483,917
Equity instruments designated at fair value through other comprehensive income		345,191	288,673
Goodwill		3,154,291	2,154,360
Operating rights		3,029,528	2,666,706
Deferred tax assets		799,706	508,859
Loans to a joint venture	<i>11</i>	1,877,264	1,937,600
Deposits for acquisition of assets		276,737	294,830
Total non-current assets		91,784,202	84,231,006
CURRENT ASSETS			
Inventories		1,203,993	1,306,646
Trade and other receivables	<i>12</i>	19,088,177	17,042,481
Assets related to contract works		5,142,116	3,285,077
Financial assets at fair value through profit and loss		6,843	–
Pledged bank deposits and restricted cash		4,537	896
Bank balances and cash		18,600,688	6,437,479
Total current assets		44,046,354	28,072,579
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	24,794,272	27,132,089
Contract liabilities		12,741,192	10,488,646
Government grants		119,436	21,587
Bank and other borrowings		13,329,405	7,695,765
Lease liabilities		104,135	102,566
Super short-term commercial papers		330,657	–
Taxation payable		605,083	879,508
Total current liabilities		52,024,180	46,320,161
Net current liabilities		(7,977,826)	(18,247,582)
Total assets less current liabilities		83,806,376	65,983,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2023

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited) (Restated)
EQUITY		
Share capital	231,401	231,401
Reserves	<u>39,553,505</u>	<u>39,076,211</u>
Equity attributable to owners of the Company	39,784,906	39,307,612
Non-controlling interests	<u>17,994,208</u>	<u>13,237,811</u>
Total equity	<u>57,779,114</u>	<u>52,545,423</u>
NON-CURRENT LIABILITIES		
Government grants	751,893	757,947
Bank and other borrowings	21,151,587	10,020,646
Lease liabilities	291,990	304,829
Medium-term notes	552,608	–
Other long-term liabilities	1,405,199	627,900
Deferred tax liabilities	<u>1,873,985</u>	<u>1,726,679</u>
Total non-current liabilities	<u>26,027,262</u>	<u>13,438,001</u>
	<u>83,806,376</u>	<u>65,983,424</u>

NOTES TO INTERIM FINANCIAL REPORT

30 JUNE 2023

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, a company incorporated in Hong Kong and its ultimate holding company is China Resources Company Limited, a company established in the PRC which is owned and controlled by the PRC government.

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

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

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

In preparing the interim financial report, 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\$7,977,826,000 and the Group has capital commitment of approximately HK\$1,073,340,000 as at 30 June 2023. As at 30 June 2023, the Group has bank and other borrowings, super short-term commercial papers and medium-term notes totaling approximately HK\$35,364,257,000, of which approximately HK\$13,660,062,000 was classified as current liabilities.

The directors of the Company are of the opinion that, taking into account of unutilised banking facilities of HK\$24,967,746,000 and internally generated funds of the Group, the Group has sufficient working capital for its present requirements for the next twelve months from 30 June 2023. Accordingly, the interim financial report has been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES

New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

HKFRS 17	Insurance contracts
Amendments to HKAS 8	Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
Amendments to HKAS 12	Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	Income taxes: International tax reform – Pillar Two model rules

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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) Comprehensive services – sales of gas appliances, related products and extended services
- (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

Segment results represent the profit before taxation earned by each segment, excluding rental income, sundry income, interest income, finance costs, depreciation of investment properties, central administration costs, and directors' salaries.

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

Six months ended 30 June 2023

	Sale and distribution of gas fuel and related products HK\$' 000 (Unaudited)	Gas connection HK\$' 000 (Unaudited)	Comprehensive services HK\$' 000 (Unaudited)	Design and construction services HK\$' 000 (Unaudited)	Gas stations HK\$' 000 (Unaudited)	Total HK\$' 000 (Unaudited)
Segment revenue – external sales	<u>41,236,701</u>	<u>4,254,610</u>	<u>1,470,499</u>	<u>326,969</u>	<u>1,080,822</u>	<u>48,369,601</u>
Segment results	<u>3,509,041</u>	<u>1,592,332</u>	<u>623,234</u>	<u>47,588</u>	<u>107,244</u>	<u>5,879,439</u>
Share of results of joint ventures						197,782
Share of results of associates						230,292
Unallocated income						1,143,112
Unallocated expenses						(1,404,087)
Finance costs (other than interest on lease liabilities)						<u>(425,486)</u>
Profit before taxation						<u><u>5,592,066</u></u>

Six months ended 30 June 2022

	Sale and distribution of gas fuel and related products HK\$' 000 (Unaudited)	Gas connection HK\$' 000 (Unaudited)	Comprehensive services HK\$' 000 (Unaudited)	Design and construction services HK\$' 000 (Unaudited)	Gas stations HK\$' 000 (Unaudited)	Total HK\$' 000 (Unaudited)
Segment revenue – external sales	<u>39,148,053</u>	<u>5,504,542</u>	<u>1,365,158</u>	<u>346,229</u>	<u>1,736,645</u>	<u>48,100,627</u>
Segment results	<u>2,778,688</u>	<u>2,160,573</u>	<u>559,630</u>	<u>40,853</u>	<u>231,022</u>	<u>5,770,766</u>
Share of results of joint ventures						370,489
Share of results of associates						210,473
Unallocated income						321,687
Unallocated expenses						(1,286,664)
Finance costs (other than interest on lease liabilities)						<u>(239,855)</u>
Profit before taxation						<u><u>5,146,896</u></u>

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

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited) (Restated)
Segment assets:		
Sale and distribution of gas fuel and related products	71,495,035	61,438,302
Gas connection	7,478,413	5,615,327
Comprehensive services	620,350	671,882
Design and construction services	202,489	143,905
Gas stations	1,824,657	1,720,840
	81,620,944	69,590,256
Interests in joint ventures	18,288,152	17,073,491
Interests in associates	3,310,426	7,483,917
Deferred tax assets	799,706	508,859
Unallocated corporate assets (<i>Note a</i>)	31,811,328	17,647,062
	135,830,556	112,303,585
Segment liabilities:		
Sale and distribution of gas fuel and related products	9,138,129	7,426,147
Gas connection	13,959,217	12,188,571
Comprehensive services	329,643	637,558
Design and construction services	1,383,019	2,008,568
Gas stations	86,418	94,927
	24,896,426	22,355,771
Taxation payable	605,083	879,508
Deferred tax liabilities	1,873,985	1,726,679
Unallocated corporate liabilities (<i>Note b</i>)	50,675,948	34,796,204
	78,051,442	59,758,162

Notes:

- a. Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries, investment properties, equity instruments designated at fair value through other comprehensive income, financial assets at fair value through profit and loss, other receivables, pledged bank deposits and restricted cash, other deposits and bank balances and cash.
- b. Unallocated corporate liabilities represent other payables, bank and other borrowings, super short-term commercial papers and medium-term notes.

5. TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	939,311	1,263,844
Deferred taxation	95,209	(46,225)
	1,034,520	1,217,619

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) on the estimated assessable profits for the six months ended 30 June 2023. No provision for Hong Kong Profits Tax has been made in the interim financial report as the Company and subsidiaries operating in Hong Kong had no assessable profits for both periods. Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,509,233	1,124,482
Depreciation of investment properties	2,348	2,139
Amortisation of operating rights (included in administrative expenses)	64,392	47,926
Amortisation of right-of-use assets	117,010	119,378
Gain on disposal of property, plant and equipment	(21,648)	(7,330)
Impairment/(reversal of impairment) of financial and contract assets, net	214	(3,841)
Interests on:		
Senior notes	–	63,659
Super short-term commercial papers	3,926	–
Medium-term notes	7,799	–
Lease liabilities	8,398	8,811
Bank and other borrowings	399,895	114,022
Amounts due to joint ventures	404	232
Amount due to an intermediate holding company	11,292	13,329
Amounts due to fellow subsidiaries	934	–
Other long-term liabilities	1,236	23,730
	433,884	223,783

Six months ended 30 June	
2023	2022
HK\$' 000	HK\$' 000
(Unaudited)	(Unaudited)

and after crediting:

Interest income from bank and other deposits	136,735	42,901
Interest income from bank and other deposits placed in a fellow subsidiary	6,298	11,596
Interest income from associates	924	2,281
Interest income from joint ventures	35,859	421
Interest income from loan to a fellow subsidiary	4,438	24,623
Gain from deemed disposal of an associate	694,093	–
	<u>694,093</u>	<u>–</u>

7. DIVIDENDS

During the six months ended 30 June 2023, a dividend of 90 HK cents per share, totaling HK\$2,041,394,000, was declared by the Company to its shareholders as the final dividend for the year ended 31 December 2022 and included in other payables and accruals as at 30 June 2023.

During the six months ended 30 June 2022, a dividend of 112 HK cents per share, totaling HK\$2,540,401,000, was declared and subsequently paid by the Company to its shareholders as the final dividend for the year ended 31 December 2021.

On 25 August 2023, the directors declared an interim dividend in respect of the current interim period of 15 HK cents per share amounting to HK\$340,232,000 in aggregate (six months ended 30 June 2022: 15 HK cents per share amounting to HK\$340,232,000 in aggregate) that will be paid to shareholders whose names appear on the register of members of the Company on 12 September 2023.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$3,545,256,000 (six months ended 30 June 2022: HK\$3,045,380,000) and on 2,268,215,487 (six months ended 30 June 2022: 2,268,215,487) weighted average number of shares in issue.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred a total cost of HK\$33,028,000 (six months ended 30 June 2022: HK\$91,316,000) and HK\$1,965,553,000 (six months ended 30 June 2022: HK\$2,017,471,000) on additions of gas pipelines and construction in progress, respectively.

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group had additions to prepaid land lease payments and other right-of-use assets of HK\$39,923,000 (six months ended 30 June 2022: HK\$33,366,000) and HK\$80,700,000 (six months ended 30 June 2022: HK\$3,938,000), respectively.

11. LOANS TO A JOINT VENTURE

The loans to a joint venture are unsecured, bearing interests at a rate of the 5-year Loan Prime Rate (“LPR”) floating downward 20% (31 December 2022: 5-year LPR floating downward 20%) per annum and the loan term is five years.

12. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited)
Trade receivables	11,860,850	10,815,185
Impairment	(311,171)	(315,212)
	11,549,679	10,499,973
Amounts due from joint ventures (<i>Note a</i>)	232,778	258,330
Amounts due from associates (<i>Note b</i>)	179,313	126,386
Amounts due from non-controlling shareholders (<i>Note c</i>)	62,088	180,194
Amounts due from fellow subsidiaries (<i>Note d</i>)	708,880	348,944
Deposits	237,955	475,224
Prepayments	5,095,846	4,421,041
Other receivables	1,079,187	781,818
Impairment allowance	(57,549)	(49,429)
	19,088,177	17,042,481

Notes:

- a. Except for the amounts due from joint ventures of HK\$16,269,000 (31 December 2022: HK\$16,792,000) which are unsecured, bearing interests at a rate of 4.28% (31 December 2022: 4.28%) per annum and are repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.
- b. Except for the loans to associates of HK\$90,731,000 (31 December 2022: HK\$93,648,000) which are unsecured, bearing interests at a rate of 4.35% (31 December 2022: 4.35%) per annum and repayable within one year, the balances are unsecured, interest-free and repayable on demand.
- c. Amounts due from non-controlling shareholders are unsecured, interest-free and repayable on demand.
- d. Except for the amount of loans to a fellow subsidiary of HK\$379,617,000 (31 December 2022: nil) which is unsecured, bearing interests at a rate of 3.20% per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

The Group generally allows credit periods ranging from 30 to 90 days to its customers, except for certain customers with a good track record which may be granted a longer credit period. The following is an ageing analysis of trade receivables, net of expected credit loss, and is presented based on the invoice date or the revenue recognition date:

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited)
0 – 90 days	6,064,508	9,677,224
91 – 180 days	4,923,044	398,498
181 – 365 days	405,959	283,526
Over 365 days	156,168	140,725
	11,549,679	10,499,973

13. TRADE AND OTHER PAYABLES

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited) (Restated)
Trade payables	10,541,084	10,277,590
Amounts due to joint ventures (<i>Note a</i>)	69,413	121,550
Amounts due to associates (<i>Note b</i>)	391	–
Amounts due to non-controlling shareholders (<i>Note c</i>)	436,516	447,657
Amounts due to fellow subsidiaries (<i>Note d</i>)	25,265	2,297,856
Amount due to an intermediate holding company (<i>Note e</i>)	1,781	2,507,449
Receipts in advance	8,776,136	7,062,810
Other payables and accruals	4,943,686	4,417,177
	24,794,272	27,132,089

Notes:

- a. Except for the amounts due to joint ventures of HK\$62,477,000 (31 December 2022: HK\$110,573,000) which are unsecured, bearing interests at rates ranging from 1.15% to 1.65% (31 December 2022: from 1.15% to 1.65%) per annum and are repayable within one year, the balances are unsecured, interest-free and repayable on demand.
- b. Amounts due to associates are unsecured, interest-free and repayable on demand.
- c. Amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.
- d. Except for the amount due to a fellow subsidiary of HK\$2,238,960,000 which was unsecured, bearing interest at a rate of 3.1% as at 31 December 2022 and was repaid in the current period, the balances are unsecured, interest-free and repayable on demand.
- e. Except for the amount due to an intermediate holding company of HK\$2,500,000,000 which was unsecured, bearing an interest of Hong Kong Inter Bank Offered Rate (“HIBOR”) plus 0.55% per annum as at 31 December 2022 and was repaid in the current period, the remaining amount due to an intermediate holding company is unsecured, interest-free and repayable on demand.

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

	30 June 2023 HK\$' 000 (Unaudited)	31 December 2022 HK\$' 000 (Audited)
0 – 90 days	7,915,978	7,883,213
91 – 180 days	766,903	750,875
181 – 365 days	821,381	697,810
Over 365 days	<u>1,036,822</u>	<u>945,692</u>
	<u>10,541,084</u>	<u>10,277,590</u>

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

14. COMPARATIVE FIGURES

The Group has finalised the fair value assessments of the acquisition of 台州燃氣有限公司 and 蘇創燃氣股份有限公司 in the current period. The comparative figures of the Group's consolidated financial statements as at 31 December 2022 have been restated as if the initial accounting had been completed from the respective acquisition dates.

REVIEW AND AUDIT OF ACCOUNTS

The interim results for the six months ended 30 June 2023 are unaudited and have been reviewed by the Company's auditor and the Company's Audit and Risk Management Committee. The auditor's report on review of the interim financial report is contained in the interim report to be dispatched to shareholders.

BUSINESS REVIEW

HALF-YEAR RESULTS

In the first half of 2023, the interaction of inflation, tight monetary policies and financial conditions cause the overall recovery of the world economy still fraught with uncertainties. The International Monetary Fund forecasts that global economic growth will fall to 3.0% throughout the year. In the first half of the year, China's economic recovery took the lead among major economies in the world, with the gross domestic product (GDP) growing by 5.5% year-on-year and the economy maintaining steady growth. The China Natural Gas Development Report published by the National Energy Administration points out that natural gas, as the cleanest and lowest-carbon fossil energy, is an indispensable and important component in the construction of China's new energy system and its usage will continue to grow steadily for a long time. Natural gas's flexible and efficient characteristics can also support synergistic development of various energies and continue to play a positive role in the carbon peak and carbon neutrality.

During the Period, the Group has adhered to the spirit of pursuing excellence by formulating the annual management theme of "benchmarking, rebeginning and creating first-class". Benchmarked against the leading companies in the industry, the Group efficiently promotes business innovation and continuously improves the operating efficiency in order to constantly consolidate the core advantages of the Group in the city gas market of sophisticated regions and cities. By leveraging on excellent operating capabilities, the Group's total natural gas sales volume increased by 6.9% from the same period last year to 19.84 billion cubic meters, the revenue increased by 0.6% from the same period last year to HK\$48.37 billion and the profit attributable to owners of the Company increased by 16.4% from the same period last year to HK\$3.55 billion.

SALE OF NATURAL GAS

In the first half of 2023, the national apparent consumption of natural gas reached 194.9 billion cubic meters, representing an increase of 6.7% as compared with the corresponding period of last year, and domestic natural gas procurement costs continued to remain high. In the first half of the year, the Group took a number of measures to safeguard the supply capacity of natural gas and improve the cost of natural gas procurement, with a total gas volume of approximately 1.30 billion cubic meters, which is expected to save approximately RMB0.09/cubic meter of natural gas procurement cost. A total of 360 million cubic meters of unconventional natural gas resources such as coal-to-gas and coal-bed gas were contracted, which is expected to save approximately RMB0.05/cubic meter of natural gas procurement cost. The leasing of 160 million cubic meters of underground gas storage to achieve "summer gas for winter use" (夏氣冬用) through the model of natural gas production and storage is expected to save approximately RMB50 million in the procurement cost of natural gas during the heating season.

During the period, the Group recorded a total natural gas sales volume of 19.84 billion cubic meters, among which the industrial gas sales volume reached 9.31 billion cubic meters, representing an increase of 4.9% and accounting for 46.9% of the gas sales volume of the Group. Commercial gas sales volume reached 4.64 billion cubic meters, representing an increase of 6.9% and accounting for 23.4% of the gas sales volume of the Group. Residential gas sales volume increased by 12.0% to 5.38 billion cubic meters, accounting for 27.1% of the gas sales volume of the Group.

DEVELOPMENT OF NEW USERS

On the back of its relatively large number of large-scale city gas projects, most of which are in major national strategic areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta region, Chengdu-Chongqing Two Cities Economic Zone, and Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to have room for relatively stable development of the user market. The Group continues to focus on the development of urban natural gas users, vigorously assists local governments in pollution prevention and control, prudently develops rural “coal-to-gas conversion” users around its projects, and optimizes the energy structure by replacing bulk coal.

The Group had 22,735 new industrial and commercial users and 1,341,941 new residential users connected during the period, including the connection to 1,129,914 new houses users, 194,991 old houses users, and 17,036 rural “coal-to-gas conversion” users. The average gas penetration rate of city gas projects operated by the Group in China increased from 56.1% at the same period of 2022 to 58.4%.

NEW PROJECT EXPANSION

The Group continues to focus on the core business development of city gas by leveraging on its reputable corporate brand image. In the first half of 2023, 3 projects were signed and 2 projects were registered at Group. In the first half of the year, 重慶燃氣集團股份有限公司 was consolidated into financial statements and in July, the increase of 2% shareholding in the Xiamen project was completed and consolidated, which further strengthened the advantages of city gas core business.

As of the first half of 2023, the number of registered city gas projects at the Group level reached 275, spanning across 25 provinces, including 3 direct administrative municipalities, 15 provincial capital cities, and 76 prefecture-level cities. The ever-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.

COMPREHENSIVE SERVICE BUSINESS

In the first half of 2023, the Group promoted a new customer service model and further implemented network management, which has covered over 30 million users at present. The Group has endeavoured to develop “Gas Butler (燃氣管家)”, which enables customers to change from doing business in a sales office to having a gas butler providing on-site service; Each Gas Butler has become a “mobile shop (流動商店)” operating integrated services, creating the “one million shops in one hundred cities(百城萬店)” model characterised by the consolidated services of CR Gas. The Group has comprehensively built a smarter customer service system, empowering Gas Butler to better serve its users through its core intelligent carriers, such as Enterprise WeChat and other management tools, the 95777 Intensive Call Centre (95777 集約呼叫中心) and public account content management platform, and introducing AI engines to provide smarter and warmer intelligent customer services.

During the Period, the stock market share of the kitchen appliances and heaters and insurance agency businesses continued to increase, and the customer unit price of the consolidated service stock continued to improve. The consolidated service turnover increased by 7.7% from HK\$1.37 billion to HK\$1.47 billion, and the segment profit increased by 11.4% from HK\$0.56 billion to HK\$0.62 billion. Excluding the effect of exchange rate fluctuations, the consolidated service turnover and segment profit increased by 14.9% and 18.8%, respectively. The penetration rate of the Group’s comprehensive service business is still at a low level. The Group believes that through continuously vigorous promotion, the comprehensive service business will step into a stage of rapid development in the future and become an important part of the Group’s business.

DEVELOPMENT OF COMPREHENSIVE ENERGY BUSINESSES

In the first half of 2023, the Group made full use of the pipeline advantage and user resource advantage of the city gas business, selected the best distributed photovoltaic, distributed energy and charging business, and continued to enhance its comprehensive energy solution capability to build a comprehensive energy business with the characteristics of CR Gas. During the Period, in terms of comprehensive energy business, 42 new projects were signed, with an estimated total investment of approximately HK\$460 million, and the cumulative number of projects reached 244. During the period, the Group leveraged on the strengths of its city gas business and shared resources and pipelines to develop the Yongjin distributed photovoltaic project in Nantong, Jiangsu Province, with a project investment of RMB85.97 million, an installed capacity of 20MW and electricity generation 20.66 million kwh per annum. The Group invested in BOE distributed energy project in Chongqing Shuitu Industrial Park with a project investment of RMB300 million, an installed capacity of 45MW and electricity generation 240 million kwh per year.

The Group also actively expanded the car charging market, the Group established specialised car charging companies in Nanjing and Hangzhou, continued to expand its sites for bonding bus users and piloted social charging station business. During the period, 6 charging stations were newly put into operation, resulting in a total of 177 charging stations being put into operation; the sale of electricity throughout the first half year increased by 39.8% to 150 million kWh as compared with the same period of last year.

SUSTAINABLE DEVELOPMENT

In the course of its rapid development, the Group proactively facilitated the development of the corporate governance of the Board. It kept enhancing the role of the Board and the management, whereby each had defined terms of reference and responsibilities, executed effective check and balance, and conducted rational decision-making, thus forming a corporate governance structure with high efficiency. The Group has always attached great importance to honesty & integrity management, and complied with laws and regulations, international practice, and business ethics. It has also insisted that the relationship among staff, suppliers, customers, relevant government authorities, partners, competitors, and other stakeholders shall be dealt with on an arm's length basis and in good faith, so as to gain market share and win respect with integrity and to improve the Company's inherent qualities and value with compliance management.

The Group also attaches great importance to environmental, social and governance (ESG) management, and has established an ESG working group under the leadership of the Board with the participation of all departments of the Group to promote the full implementation of the ESG sustainable development management system. With the efforts of all employees and effective management, in the first half of 2023, the Group's carbon dioxide emission per RMB10,000 production value (comparables) reduced by 30.3% and comprehensive energy consumption per RMB10,000 revenue (comparables) reduced by 2.4%. During the period, the Group and its 105 companies successfully obtained ISO45001 international certification, reflecting that the Group has an international-level occupational health and safety and environmental management system. The Group will continue to promote more member companies of the Group to obtain the above-mentioned international certification. We also continue to engage consulting firms to provide professional advice on the Group's ESG management system, policies, data disclosure, performance, and practice, and strive to further improve the Group's ESG performance. The Group believes that these measures in place will promote the Group's sustainable development and contribute to the construction of a better ecological environment.

In the first half of 2023, the Group organized members of the Board and management to conduct anti-corruption and environmental protection training by carrying out an in-depth study to strengthen the culture of integrity and awareness of environmental protection. During the period, MSCI maintained the Company's ESG rating at A. The Group will obtain recognition and affirmation from all walks of life through pragmatic and accountable ESG quality management measures, integrating the national dual goals of "peak carbon dioxide emissions target by 2030 and reach carbon neutrality by 2060" into daily operational management to achieve substantive business development.

FINANCIAL INFORMATION

The Group achieved a revenue of HK\$48.37 billion in the first half of 2023, representing a year-on-year increase of 0.6%. Overall gross profit margin of the Group was 18.2%, representing a decrease of 0.2ppt compared with the same period last year. The decrease in overall gross profit margin was mainly due to the decrease in the share of revenue from gas connection with higher gross profit margin from 11.5% from the same period last year to 8.8%. The Group believes that revenue structure will continue to be optimized in the future, and the Group is optimistic of high-quality and sustainable development in the future.

The Group has been adopting prudent financial resources management policies to keep borrowings and capital expenditure at a sound level. In the first half of 2023, the Group's operating cash flow achieved HK\$4.76 billion, representing a year-on-year increase of HK\$4.77 billion, and the quality of operation continued to improve. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future. Given the Group's sustained in performance, Moody's, Standard & Poor's and Fitch maintained the credit rating of the Group at A2, A – and A – in the period. The ratings reflect the Group's development strategy of focusing on its core business comprehensive services and comprehensive energy and its financial performance for current period has 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 the first half of 2023, although China's economy was at a steady stage of growth, there was still strong development resilience and potential in economy, and there has been no major change in maintaining fundamentals for long-term growth. At present, China is strengthening the coordinated development with a variety of energy sources, giving play to the flexible regulation role of natural gas to build a new pattern of multi-energy complementarity. In addition, it has deeply participated in and actively improved the global energy governance system, taken advantage of China's positive role in stabilizing the global natural gas market, boosting consumer confidence, promoting international trade, and attracting commercial investment. China's long-term positive fundamentals have not changed, the prospects for development are bright, and China's natural gas industry still has good momentum.

In the second half of 2023, based on the steady growth of principal business, the Group will optimize price management and continue to improve the penetration rate of the comprehensive service business, upsize the integrated energy business following the country's will for clean energy development, further promote regionalization integration, facilitate steady growth in results, constantly improve shareholders' return and realize the sustainable development of the Group.

INTERIM DIVIDEND

The directors have resolved to declare the payment of an interim dividend of 15 HK cents per share for the six months ended 30 June 2023 (six months ended 30 June 2022: 15 HK cents per share), payable on 27 October 2023 to shareholders whose names appear on the register of members of the Company on 12 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 September 2023 to Tuesday, 12 September 2023, both days inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 8 September 2023.

SHAREHOLDERS' OPTION TO ELECT

2023 Interim Dividend will be payable in cash to each shareholder in HK Dollars ("HKD") unless an election is made to receive the same in Renminbi ("RMB").

Shareholders will be given the option to elect to receive all or part of the 2023 Interim Dividend in RMB at the exchange rate of HKD1.0: RMB0.91789, being the average benchmark rate of HKD to RMB as published by the People's Bank of China for the five business days immediately preceding 25 August 2023. If shareholders elect to receive the 2023 Interim Dividend in RMB, such dividend will be paid to shareholders at RMB0.1376835 per share. To make such election, shareholders should complete the dividend currency election form (the "Dividend Currency Election Form") which is expected to be dispatched to shareholders on 19 September 2023 as soon as practicable after the record date of 12 September 2023 to determine shareholders' entitlement to the 2023 Interim Dividend, and return it to the Company's branch share registrar and transfer office, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5 October 2023.

Shareholders who are minded to elect to receive all of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honored for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on 27 October 2023 at the shareholders' own risk.

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 six-month period ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the mandatory provisions of the Corporate Governance Code (the “**Code**”) set out in Part 2 of 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 23 December 2005 and subsequently updated it in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016, 2018 and 2022 respectively. The contents of the Handbook include, among others, directors’ duties, model code for directors’ transactions in securities, model code for securities transactions by relevant employees, the functions and terms of reference of the Audit and Risk Management, Remuneration, Nomination, Investment and Corporate Governance Committees, disclosure of information, communication with shareholders, procedures for shareholders to propose a person for election as a director and board diversity policy. During the six months ended 30 June 2023, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provisions C.3.3 and F.2.2 which are explained as follows:

Under the code provision C.3.3, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-Laws. In addition, the Directors are required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Code provision F.2.2 stipulates that the chairman of the Board should attend the Annual General Meeting. The chairman of the Board was unable to attend the Annual General Meeting of the Company held on 25 May 2023 due to other business commitments.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the Code during the six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Interim Report

The 2023 Interim Report will be despatched to shareholders and published on the Stock Exchange's designated website (www.hkexnews.hk) and the Company's website (www.crcgas.com) in due course.

By order of the Board
CHINA RESOURCES GAS GROUP LIMITED
WANG Chuandong
Chairman

Hong Kong, 25 August 2023

As at the date of this announcement, the Directors of the Company are Mr. YANG Ping and Mr. GE Bin, being Executive Directors; Mr. WANG Chuandong, Mr. WANG Gaoqiang, Mr. LIU Xiaoyong, Mr. LIU Jian and Mr. HE Youdong, being Non-executive Directors; Mr. WONG Tak Shing, Mr. YU Hon To, David, Mr. YANG Yuchuan and Mr. HU Xiaoyong, being Independent Non-executive Directors.