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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Driven by acquisition and organic growths, CR Gas recorded an increase of 122% in turnover to HK\$8,327 million and registered a 74% increase in net profit attributable to equity shareholders to HK\$734 million.

Gross gas sales volume increased 152% to 5.6 billion m³ and total connected residential customers increased 156% to 8.8 million.

	2010 '000	2009* '000	Increase (%)
Turnover	HK\$8,326,747	HK\$3,746,779	122%
Profit attributable to owners of the Company	HK\$733,685	HK\$421,599	74%
Gross gas sales volume (m³)	5,576,897	2,214,396	152%
Accumulated total connected residential customers	8,765	3,422	156%

* Before Restatement

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010.

RESULTS

The PRC city gas distribution business continues to provide the Group with handsome profit and cash flow contributions. The Group achieved an increase in turnover of 122% to HK\$8,327 million and recorded profit attributable to the Company’s equity holders of HK\$734 million for the year ended 31 December, 2010, an increase of 74% over corresponding year. The operating profit from city gas distribution business surged by 103% to HK\$1,340 million and its net operating cash inflow increased 59% to HK\$1,502 million. Gross gas sales volume increased 152% to 5,576 million m³ and total connected residential customers increased 156% to 8.76 million.

BUSINESS REVIEW AND PROSPECTS

During 2008, the Company has entered into the agreement to acquire a portfolio of 7 city gas distribution projects from China Resources (Holdings) Company Limited (“CRH”). The acquisition allowed the Company to enter into the fast growing city gas distribution business in China. The acquisition provided the Group with a sound foundation to tap into the burgeoning city gas distribution business in the PRC by capturing the rapid increase in demand for natural gas in China and leveraging China Resources Group’s strong presence and brand name in China. The acquisition also provided the Group with a solid platform to further expand and establish itself as one of the leaders in the city gas distribution business in the PRC.

The 7 projects acquired by the Group in 2008 and the additional 20 projects acquired in 2009 are mainly located in regions where there are rich natural gas reserves and the economically more developed Eastern Board as well as densely populated provincial capitals and emerging cities of China. The Group also focuses on developing gas distribution projects in areas where there are existing or potential piped natural gas supply.

During 2010, the Company continues to grow rapidly with acquisition of additional 9 city gas projects from CRH and 12 other city gas projects directly from the market. The Company also announced proposed acquisition of a major city gas project in Tianjin. As at 31 December, 2010, excluding the on-going acquisitions of Tianjin city gas project, the Company operates a total of 48 city gas projects in 15 provinces in China and has become one of the leading city gas distributors in the PRC.

The continued economic growth and the rapid industrialisation and urbanisation of China has spiked the demand for energy in the PRC. The PRC government has been very supportive of the development of the natural gas industry and has promulgated various policies and guidelines to encourage and rationalize the usage of natural gas. Construction of the second phase of the “West to East Gas Transmission” pipelines and the “Sichuan to East” pipelines from the gas-rich Central Asia and Sichuan Province to coastal regions of the PRC as well as construction of LNG terminals in coastal cities are actively in progress. The PRC government will place significant emphasis on the rapid development of natural gas industry under the 12 Five Year Plan to achieve its carbon emission commitment made during the 2010 Copenhagen Conference. All these will greatly boost the availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China. The Company will ride on these favourable industry fundamentals and its experienced management team with strong execution record to scale new heights via organic and acquisition growths.

SHARE CAPITAL AND SHARE OPTIONS

A total of 416,654,223 new shares were issued during the year as a source of fund for acquisition of more downstream city gas distribution business and as consideration for the purchase of 9 city gas projects from CRH. Details of the movements in share capital of the Company and share options of the Group during the year are set out in Notes to the consolidated financial statements.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 8 HK cents per share. Together with the interim dividend of 2 HK cents per share paid in October 2010, total distribution for 2010 would thus be 10 HK cents per share (2009: 6.5 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 13 June, 2011 to shareholders on the register of members of the Company on 30 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May, 2011 to 30 May, 2011, both days inclusive. In order to qualify for the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May, 2011.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Acquisition of 25% equity interest in Chongqing

On 23 December 2009 and 24 December 2009, China Resources Gas (China) Investment Limited ("CR Gas Investment") a wholly-owned subsidiary of the Company, entered into master agreements and a supplemental agreement respectively, with Chongqing Energy Investment Group* (重慶市能源投資集團公司) ("Chongqing Energy") whereby CR Gas Investment agreed to contribute cash of approximately RMB1,162.8 million to Chongqing Gas Group Corp Ltd.* (重慶燃氣(集團)有限責任公司) ("Chongqing Gas") to increase its registered capital in return for a 25% equity interest in Chongqing Gas. The cash consideration of approximately RMB1,162.8 million for the 25% equity interest in the enlarged registered capital of Chongqing Gas was determined after arm's length negotiation with reference to (i) the track record and potential development of Chongqing Gas in the city gas distribution business in Chongqing; and (ii) the appraised net asset value of Chongqing Gas of RMB2,877.1 million as at 30 September 2009, based on the independent valuation performed by an independent valuer in the PRC. Chongqing Gas is a limited company incorporated in the PRC wholly-owned by Chongqing Energy and is principally engaged in city gas distribution business in Chongqing, the PRC.

The aforesaid transaction was completed in 2010 upon obtaining all the necessary approvals from the relevant PRC authorities and Chongqing Gas was converted into a sino-foreign equity joint venture owned by Chongqing Energy and CR Gas Investment as to 75% and 25% respectively.

Cooperation Arrangements with Zhengzhou SASAC and subsequent Mandatory Conditional Cash Offer for Zhengzhou Gas

On 25 November, 2009, CR Gas Investment, a wholly-owned subsidiary of the Company, and the State-owned Assets Supervision and Administration Commission of Zhengzhou Municipality ("Zhengzhou SASAC") entered into various agreements which relate to the formation of a joint venture (the "Joint Venture") between CR Gas Investment and Zhengzhou SASAC, increase in its registered capital, and the acquisitions by the Joint Venture of 54,041,510 domestic shares (the "Sales Shares") of Zhengzhou Gas Company Limited* (鄭州燃氣股份有限公司) ("Zhengzhou Gas") which represent 43.18% of the total issued share capital of Zhengzhou Gas and certain assets from Zhengzhou SASAC (the "Acquisition") (collectively, the "Cooperation Arrangement"). Zhengzhou Gas is a joint stock limited company incorporated in the PRC whose H shares are listed on the Stock Exchange.

On 11 January, 2010, Zhengzhou SASAC, CR Gas Investment, the Joint Venture and Zhengzhou Gas Group Co., Ltd. (鄭州燃氣集團有限公司) (“Zhengzhou GGCL”) entered into a supplemental agreement in which the Joint Venture has confirmed its obligations in respect of the Acquisition under the various agreements entered into between Zhengzhou SASAC and CR Gas Investment on 25 November, 2009. When the initial registered capital of the Joint Venture is fully paid up and following the increase in its registered capital, the Joint Venture will be held as to 80% by CR Gas Investment and as to 20% by Zhengzhou SASAC.

CR Gas Investment would make the offer in compliance with the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) upon completion of the acquisition by the Joint Venture of the Sale Shares from Zhengzhou SASAC. The price of the offer to be made by CR Gas Investment to the shareholders of Zhengzhou Gas pursuant to the announcement dated 25 November, 2009 was RMB8.45 per domestic share of Zhengzhou Gas and the Hong Kong dollar equivalent of HK\$9.60 per H share of Zhengzhou Gas, determined after arm’s length negotiation with reference to, among others, the net assets value of Zhengzhou Gas, its future prospects and the staff compensation if Zhengzhou Gas were changed from a State-owned enterprise to a foreign-owned enterprise upon completion of the acquisition of the Sale Shares. As disclosed in the joint announcement of the Company and Zhengzhou Gas dated 11 December, 2009, in order to extend the same favourable conditions which would be extended to Zhengzhou SASAC under the potential cooperation to all other shareholders of Zhengzhou Gas, the Board of the Company resolved to increase the offer price under the offer to RMB12.96 per domestic share, of Zhengzhou Gas or equivalent to HK\$14.73 per H share of Zhengzhou Gas based on the exchange rate quoted on 11 December, 2009.

On 27 August 2010 the conditions to which the formation of the Joint Venture and the completion of the acquisition of Sale Shares have been fulfilled, the Joint Venture has completed the acquisition of the Sale Shares from Zhengzhou SASAC. This led to a change in control of Zhengzhou Gas under the Takeovers Code and, therefore, a mandatory general offer (“offer”) was made to the shareholders of Zhengzhou Gas.

On 24 September 2010, CR Gas Investment and Zhengzhou Gas jointly announced that the Offer has become unconditional as valid acceptances have been received in respect of 11,302,490 Domestic Shares and 4,923,000 H Shares totalling 16,225,490 Zhengzhou Shares, representing approximately 12.97% of the total issued share capital and voting rights of Zhengzhou Gas. The Offer would remain open for acceptance for not less than 14 days after the Unconditional Date.

On 8 October 2010, upon the close of the Offer, CR Gas Investment and Zhengzhou Gas jointly announced that valid acceptances have been received in respect of 12,202,490 Domestic Shares and 4,926,000 H Shares totalling 17,128,490 Zhengzhou Shares, representing approximately 13.69% of the issue capital and voting rights of Zhengzhou Gas, This together with the 54,041,510 Sale Shares (representing approximately 43.18% of the total issued share capital and voting rights of Zhengzhou Gas) held by the Joint Venture, CR Gas and parties acting in concert with it are interested in an aggregate of 71,170,000 Zhengzhou Shares representing approximately 56.87% of the total issued share capital and voting rights of Zhengzhou Gas.

Acquisition of Third Batch of City Gas Projects from CRH

On 13 September 2010, for a consideration of HK\$2 billion the Company announced the acquisition of a batch of city gas distribution projects from its controlling shareholder, CRH. This was the third batch of city gas projects acquired from CRH since the last two batches in 2008 and 2009 respectively. This batch of projects, with an annual gas sales volume of 483 million m³, included projects in 9 PRC cities namely Xiamen, Ningbo, Qidong, Gucheng, Tengzhou, Shifang, Kunshan, Jining and Suining.

The consideration was satisfied by the issue of 186,654,223 shares at HK\$10.715 per share which represents a discount of approximately 5.51% from HK\$11.34, being the closing price of the Company's shares on 13 September 2010, the last day on which the Company's shares are traded on the Hong Kong Stock Exchange, and a discount of approximately 4.53% from HK\$11.224, being the average closing price of the Company's shares for the last 5 trading days prior to and including 13 September 2010. The acquisition from CRH constituted a connected transaction and was approved by independent shareholders on 25 October 2010, whereby the closing price of the Company's share has increased compared to 13 September 2010 and the consideration became HK\$2,221,155,000 based on fair value for accounting purpose.

Establishment of a joint venture company in Jiangning District, Nanjing

On 9 April 2010, the Company, through China Resources Gas Limited, its wholly-owned subsidiary, entered into a sino-foreign equity joint venture arrangement with 南京市江寧區煤氣(集團)公司 (translated as Nanjing City Jiangning District Gas (Group) Company Limited) pursuant to the joint venture contract and the articles of association in relation to the establishment of the joint venture company namely Nanjing Jiangning China Resources Gas Co., Ltd. (南京江寧華潤燃氣有限公司) ("Jiangning CR Gas"), which became a jointly controlled entity of the Company upon establishment. Jiangning CR Gas is principally engaged in, among other things, the investment, construction and operation of the city piped gas facilities as well as the supply and sale of gas in Jiangning District, Nanjing City of the PRC. The aggregate cash contribution of RMB600 million was contributed by China Resources Gas Limited to Jiangning CR Gas for a 49% stake in Jiangning CR Gas.

* *Name translated for reference purposes.*

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

Other than disclosed above and the disposal of 1,818,000 shares held by the Company's Trustee as staff incentive award under the Company's Incentive Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company has throughout the year complied with the mandatory provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct in relation to Directors' securities transactions. 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 year.

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Turnover	3		
Continuing operations		8,326,747	4,110,151
Cost of sales		(5,851,881)	(2,858,343)
		<hr/>	<hr/>
Gross profit		2,474,866	1,251,808
Other income		209,909	164,853
Selling and distribution expenses		(544,574)	(278,877)
Administrative expenses		(800,613)	(460,659)
		<hr/>	<hr/>
Finance costs		1,339,588	677,125
Share of results of associates		(79,733)	(40,358)
		<hr/>	<hr/>
		15,524	7,187
		<hr/>	<hr/>
Profit before taxation			
Continuing operations		1,275,379	621,980
Discontinued operations		–	21,974
		<hr/>	<hr/>
		1,275,379	643,954
		<hr/>	<hr/>
Taxation	4		
Continuing operations		(304,980)	(85,375)
		<hr/>	<hr/>
Profit for the year	5		
Continuing operations		970,399	536,605
Discontinued operations		–	21,974
		<hr/>	<hr/>
		970,399	558,579
		<hr/>	<hr/>
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		229,099	916
Fair value (loss) gain on available-for-sale investments		(2,160)	432
Share of other comprehensive income of associates		3,663	5
		<hr/>	<hr/>
		230,602	1,353
		<hr/>	<hr/>
Total comprehensive income for the year		1,201,001	559,932
		<hr/> <hr/>	<hr/> <hr/>

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Profit for the year attributable to:			
Owners of the Company			
Continuing operations		733,685	437,600
Discontinued operations		–	21,974
		<hr/>	<hr/>
		733,685	459,574
Non-controlling interests		236,714	99,005
		<hr/>	<hr/>
		970,399	558,579
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the year attributable to:			
Owners of the Company			
Continuing operations		953,547	436,859
Discontinued operations		–	21,974
		<hr/>	<hr/>
		953,547	458,833
Non-controlling interests		247,454	101,099
		<hr/>	<hr/>
		1,201,001	559,932
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK\$</i>	<i>HK\$</i> (Restated)
Earnings per share	7		
From continuing and discontinued operations			
Basic		0.51	0.34
		<hr/>	<hr/>
Diluted		0.51	0.34
		<hr/>	<hr/>
From continuing operations			
Basic		0.51	0.33
		<hr/>	<hr/>
Diluted		0.51	0.33
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	<i>NOTES</i>	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment		7,810,391	4,079,964
Prepaid lease payments		759,063	265,301
Investment properties		11,647	11,358
Interest in associates		85,249	21,733
Available-for-sale investments		41,721	22,651
Goodwill		890,511	192,667
Operating rights		674,121	636,167
Deferred tax assets		122,015	51,579
Deposit for prepaid lease payments		7,820	44,273
Deposits for investments		–	1,321,423
		10,402,538	6,647,116
Current assets			
Inventories		236,968	160,489
Trade and other receivables	8	1,545,626	668,394
Amounts due from customers for contract work		378,633	253,897
Prepaid lease payments		26,094	13,165
Amounts due from fellow subsidiaries		32,813	282,557
Pledged bank deposits		14,875	19,262
Bank balances and cash		6,521,335	2,671,838
		8,756,344	4,069,602
Current liabilities			
Trade and other payables	9	3,346,080	2,003,545
Amounts due to customers for contract work		1,531,631	747,670
Amounts due to fellow subsidiaries		399,301	22,646
Amount due to an intermediate holding company		–	–
Government grants		6,645	1,022
Bank and other borrowings		493,068	1,339,653
Taxation payable		154,272	61,620
		5,930,997	4,176,156
Net current assets (liabilities)		2,825,347	(106,554)
		13,227,885	6,540,562

	<i>NOTES</i>	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)
Capital and reserves			
Share capital	<i>10</i>	183,109	141,442
Reserves		5,501,486	2,283,471
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,684,595	2,424,913
Non-controlling interests		1,894,764	732,605
		<hr/>	<hr/>
		7,579,359	3,157,518
		<hr/>	<hr/>
Non-current liabilities			
Government grants		57,895	13,349
Bank and other borrowings		5,132,770	1,391,800
Other long-term liabilities		124,287	115,092
Amount due to a fellow subsidiary		–	1,600,000
Deferred tax liabilities		333,574	262,803
		<hr/>	<hr/>
		5,648,526	3,383,044
		<hr/>	<hr/>
		13,227,885	6,540,562
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION

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

On 25 October 2010, the Company acquired 100% equity interests in Mega Fair Limited for a consideration of HK\$2,221,155,000 which was settled by allotment and issue of 186,654,223 shares in the Company. The consideration disclosed in the Company’s circular dated 25 October 2010 was HK\$2,000,000,000, represented by 186,654,223 shares in the Company at HK\$10.715 per share. The difference with the final consideration of HK\$2,221,155,000 was due to the fluctuation in share price of the Company during the period from date of circular and the date of completion of acquisition. On 19 October 2009, the Company acquired 100% equity interests in Top Steed Limited for a cash consideration of HK\$1,600,000,000 (details are set out in the Company’s circular dated 2 October 2009). The Group, Top Steed Limited and its subsidiaries (the “Top Steed Group”) and Mega Fair Limited and its subsidiaries (the “Mega Fair Group”) are engaged in sales of liquefied gas and connection of gas pipelines in the PRC.

The Group, Top Steed Group and Mega Fair Group are ultimately controlled by China Resources National Corp. before and after the group reorganisation, and that control is not transitory. The Group, Top Steed Group and Mega Fair Group are regarded as continuing entities as at the dates of business combinations and hence the acquisitions have been accounted for as combinations of entities under common control by applying the principles of merger accounting in accordance with AG 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. Accordingly, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the two years ended 31 December 2009 and 2010 include the results of operations, changes in equity and cash flows of the companies now comprising the Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the two years ended 31 December 2009 and 2010, or since their respective dates of incorporation or establishment where this is a shorter period, except for the jointly controlled entities acquired by Mega Fair Group during the two years ended 31 December 2009 and 2010, which are included in the consolidated financial statements since their respective dates of acquisitions. The consolidated statements of financial position of the Group as at 1 January 2009, 31 December 2009 and 31 December 2010 have been prepared to present the assets and liabilities of the companies now comprising the Group as if current group structure had been in existence as at the respective dates, except for the jointly controlled entities acquired by Mega Fair Group during the two years ended 31 December 2009 and 2010, which are combined since their respective dates of acquisition.

Apart from the aforesaid business combination of entities under common control, the Group has reclassified a bank loan of HK\$300,000,000 at 31 December 2009, to conform with the requirement of HK INT 5 “Presentation of financial statements—classification by the borrower of a term loan that contains a repayment on demand clause”. The Group has also retrospectively adjusted the provisional fair values of the assets and liabilities of a subsidiary and jointly controlled entities acquired during the year ended 31 December 2009 to reflect the fair value adjustments made upon completion of the purchase accounting during the current year. Adjustments have been made retrospectively to property, plant and equipment, deferred tax liabilities, non-controlling interests, goodwill and discount on acquisition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards and interpretations issued by the HKICPA.

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 24 (Revised)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the adoption of the new and revised standards and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements.

HKAS 27 (as revised in 2008) “Consolidated and separate financial statements”

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group’s accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group’s accounting policies regarding changes in the Group’s ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the Group’s acquisition of additional interest in subsidiaries. The difference of HK\$74,032,000 between the consideration paid amounting to HK\$75,672,000 and the non-controlling interests adjusted amounting to HK\$1,640,000 was recognised directly in equity, instead of goodwill. In addition, the cash consideration paid in the current year of HK\$75,672,000 has been included in cash flows from financing activities.

Hong Kong Interpretation 5 “Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause” (“HK INT 5”)

HK INT 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK INT 5 for the first time in the current year. HK INT 5 requires retrospective application.

In order to comply with the requirements set out in HK INT 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK INT 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, a bank loan that contains a repayment on demand clause with carrying amount of HK\$300,000,000 has been reclassified from non-current liabilities to current liabilities as at 31 December 2009. As at 31 December 2010, this bank loan (that is repayable more than one year after the end of the reporting period but contains a repayment on demand clause) with carrying amount of HK\$300,000,000 has been classified as current liabilities. The application of HK INT 5 has had no impact on the reported profit or loss for the current and prior years.

HKAS 24 (Revised) “Related party disclosures”

HKAS 24 (Revised) modifies the definition of a related party and simplifies related party disclosures for government-related entities. HKAS 24 (Revised) provides a partial exemption from the disclosure requirements for government-related entities. The Group has early has early partially adopted the paragraphs 25 to 27 of HKAS 24 (Revised) in the current year in advance of its effective date.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective, except for the partial exemption from disclosure requirement for government-related entities in accordance with HKAS 24 (Revised).

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
HKFRS 9	Financial instruments ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 24 (as revised in 2009)	Related party disclosures ⁶
HKAS 32 (Amendments)	Classification of rights issues ⁷
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁶
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 “Financial instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments may be recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

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

Sale and distribution of gas fuel and related products – sale of liquefied petroleum gas and natural gas for residential, commercial and industrial use

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

Segments results represent the profit before taxation earned by each segment, excluding sundry income, interest income, finance costs, central administration costs, release from prepaid lease payments, discount on acquisitions of subsidiaries and directors' salaries. This is the measure reported to the executive directors for the purpose of resource allocation and assessment of segment performance.

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

For the year ended 31 December 2010

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover			
External sales	6,367,889	1,958,858	8,326,747
Result			
Segment results	692,996	807,110	1,500,106
Finance costs			(79,733)
Unallocated income			198,741
Unallocated expenses			(343,735)
Profit before taxation			1,275,379

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	7,541,453	2,058,269	9,599,722
Deferred tax assets			122,015
Unallocated corporate assets (<i>Note a</i>)			9,437,145
			<u>19,158,882</u>
LIABILITIES			
Segment liabilities	962,520	2,907,974	3,870,494
Taxation payable			154,272
Deferred tax liabilities			333,574
Unallocated corporate liabilities (<i>Note b</i>)			7,221,183
			<u>11,579,523</u>

Other information

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	1,628,107	-	96,029	1,724,136
Depreciation and amortisation	326,791	-	47,735	374,526
Release of prepaid lease payments	-	-	14,845	14,845
Impairment loss on trade receivables	9,961	-	-	9,961
Loss on disposal of property, plant and equipment	362	-	-	362
	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>

For the year ended 31 December 2009

Segment revenue and results (restated)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover			
External sales	3,095,802	1,014,349	4,110,151
	<u>3,095,802</u>	<u>1,014,349</u>	<u>4,110,151</u>
Result			
Segment results	316,318	371,370	687,688
	<u>316,318</u>	<u>371,370</u>	
Finance costs			(40,358)
Unallocated income			90,055
Unallocated expenses			(115,405)
			<u>(40,358)</u>
Profit before taxation			621,980
			<u>621,980</u>

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	4,295,792	971,004	5,266,796
Deferred tax assets			51,579
Unallocated corporate assets (<i>Note a</i>)			5,398,343
			<u>5,398,343</u>
			10,716,718
			<u>10,716,718</u>
LIABILITIES			
Segment liabilities	564,288	1,800,613	2,364,901
Taxation payable			61,620
Deferred tax liabilities			262,803
Unallocated corporate liabilities (<i>Note b</i>)			4,869,876
			<u>4,869,876</u>
			7,559,200
			<u>7,559,200</u>

Other information (restated)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	731,457	–	47,281	778,738
Depreciation and amortisation	170,098	–	22,072	192,170
Release of prepaid lease payments	–	–	9,723	9,723
	<u>731,457</u>	<u>–</u>	<u>47,281</u>	<u>778,738</u>
	<u>170,098</u>	<u>–</u>	<u>22,072</u>	<u>192,170</u>
	<u>–</u>	<u>–</u>	<u>9,723</u>	<u>9,723</u>

At 1 January 2009

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	2,188,865	587,267	2,776,132
Deferred tax assets			1,312
Unallocated corporate assets (<i>Note a</i>)			2,050,169
			<hr/>
			4,827,613
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	212,912	1,087,706	1,300,618
Taxation payable			17,850
Deferred tax liabilities			143,101
Unallocated corporate liabilities (<i>Note b</i>)			616,785
			<hr/>
			2,078,354
			<hr/> <hr/>

Geographical information

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

Information about major customers

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

Notes:

- (a) Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries and jointly controlled entities which are engaged in sale and distribution of gas fuel and related products and gas connection, investment properties, prepaid lease payments, interest in associates, deposit for acquisition of prepaid lease payments, deposits for investments, available-for-sale investments, other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash.
- (b) Unallocated corporate liabilities represent other payables, accrued expenses, amounts due to fellow subsidiaries/an intermediate holding company, bank and other borrowings and other long-term liabilities (excluding payable for acquisition of operating rights). The amounts due to fellow subsidiaries/an intermediate holding company and bank and other borrowings are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

4. TAXATION

	2010 HK\$'000	2009 HK\$'000 (Restated)
The tax charge (credit) comprises:		
Current taxation		
PRC Enterprise Income Tax	296,698	131,707
Underprovision in prior year	3,687	2,104
	<u>300,385</u>	<u>133,811</u>
Deferred taxation		
Charge (credit) for the year	<u>4,595</u>	<u>(48,436)</u>
	<u>304,980</u>	<u>85,375</u>

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been provided in the consolidated financial statements.

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

Certain subsidiaries operating in the PRC are exempted from income tax applicable in the PRC for two years starting from the first profit making year after utilisation of the tax losses brought forward and were granted a 50% relief for the following three years.

Certain jointly controlled entities which are operating in the Western China have been granted tax concessions by the local tax bureau and are entitled to PRC Enterprise Income Tax at concessionary rate of 15%.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2010 No. 1, only the profits earned by foreign-investment enterprise prior to 1 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.

5. PROFIT FOR THE YEAR

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Profit for the year from both continuing and discontinued operations has been arrived at after charging:		
Staff costs		
Directors' emoluments	12,418	2,738
Other staff		
– Salaries and other benefits	620,152	263,358
– Retirement benefits schemes contributions	78,762	43,064
	<hr/>	<hr/>
Total staff costs	711,332	309,160
	<hr/>	<hr/>
Auditor's remuneration	3,518	2,800
Depreciation of property, plant and equipment	345,237	167,917
Depreciation of investment properties	624	436
Amortisation of operating rights (included in administrative expenses)	28,665	23,817
Release of prepaid lease payments	14,845	9,723
Impairment loss on trade receivables	9,961	–
Operating lease rentals in respect of rented premises	28,383	16,580
Loss on disposal of property, plant and equipment	362	–
and after crediting:		
Dividend income from available-for-sale investments	440	2,416
Gain on deemed disposal of a subsidiary	–	880
Gain on disposal of prepaid lease payments	–	6,239
Gain on disposal of property, plant and equipment	–	49,040
Gain on disposal of available-for-sale investments	280	12,068
Government grants	39,529	96
Interest on bank deposits	51,715	23,661
Rental income from investment properties (net of negligible outgoings)	1,836	344
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend paid of 2.00 HK cents per share for 2010 (2009: paid of 2.00 HK cents per share for 2009)	31,491	28,288
Final dividend paid of 4.50 HK cents per share for 2009 (2009: paid of 4.0 HK cents per share for 2008)	60,499	56,577
	<hr/>	<hr/>
	91,990	84,865
	<hr/> <hr/>	<hr/> <hr/>

The directors recommend the payment of a final dividend of 8 HK cents per share for the year ended 31 December 2010 (2009: 4.50 HK cents per share).

7. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>733,685</u>	<u>459,574</u>
	2010	2009 (Restated)
Number of shares:		
Weighted average number of shares in issue less shares held for share award scheme for the purposes of basic earnings per share	1,445,155,924	1,340,743,441
Effect of dilutive potential shares Share options	<u>50,718</u>	<u>–</u>
Weighted average number of shares in issue less shares held for share award scheme for the purposes of diluted earnings per share	<u>1,445,206,642</u>	<u>1,340,743,441</u>

The computation of diluted earnings per share for the year ended 31 December 2009 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the year.

From continuing operations

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	733,685	459,574
Less: Profit for the year from discontinued operations attributable to owners of the Company	<u>–</u>	<u>(21,974)</u>
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u>733,685</u>	<u>437,600</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

Basic and diluted earnings per share for the discontinued operations for the year ended 31 December 2009 were HK\$0.01 per share and HK\$0.01 per share, respectively, based on the profit from the discontinued operations and the denominators presented above.

8. TRADE AND OTHER RECEIVABLES

	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)	1.1.2009 <i>HK\$'000</i> (Restated)
Trade receivables	508,688	136,279	74,398
Less: Allowance for doubtful debts	(9,079)	–	(2,623)
	499,609	136,279	71,775
Other receivables, deposits and prepayments	1,046,017	532,115	280,841
	1,545,626	668,394	352,616

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on their trade volume and settlement terms. The aged analysis of trade receivables, including notes receivables, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)	1.1.2009 <i>HK\$'000</i> (Restated)
0 – 90 days	417,451	120,177	59,337
91 – 180 days	50,446	7,455	5,966
Over 180 days	31,712	8,647	6,472
	499,609	136,279	71,775

Included in the Group's trade receivables as at 31 December 2010 are amounts due from minority shareholders of subsidiaries amounting to HK\$25,455,000 (31 December 2009: HK\$6,680,000 and 1 January 2009: nil), which are aged within 90 days based on the invoice date and not yet past due.

9. TRADE AND OTHER PAYABLES

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

	31.12.2010 <i>HK\$'000</i>	31.12.2009 <i>HK\$'000</i> (Restated)	1.1.2009 <i>HK\$'000</i> (Restated)
0 – 90 days	534,495	370,110	119,468
91 – 180 days	97,338	27,919	16,694
Over 180 days	264,249	100,083	14,170
	896,082	498,112	150,332

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

10. SHARE CAPITAL OF THE COMPANY

	Number of shares		Nominal value	
	31.12.2010	31.12.2009	31.12.2010 HK\$'000	31.12.2009 HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At 1 January and 31 December	10,000,000,000	10,000,000,000	1,000,000	1,000,000
Issued and fully paid:				
At 1 January	1,414,416,710	1,414,416,710	141,442	141,442
Shares issued upon exercise of share options	24,000	–	2	–
Placing of shares	230,000,000	–	23,000	–
Issue of shares upon combination of entities under common control	186,654,223	–	18,665	–
At 31 December	1,831,094,933	1,414,416,710	183,109	141,442

The new shares issued during the year ended 31 December 2010 rank pari passu in all respects with the existing shares in issue.

On 14 September 2010, Splendid Time Investments Inc. (“Splendid Time”), the Company’s immediate holding company, and the Company entered into a placing and subscription agreement with the placing agent pursuant to which the placing agent has agreed to place (or failing which they themselves to purchase) 230,000,000 existing shares at a price of HK\$10.75 per share owned by Splendid Time to not less than six independent places. Pursuant to the placing and subscription agreement, Splendid Time has conditionally agreed to subscribe for 230,000,000 new shares equivalent to the number of the placing shares. The proceeds from the placing of shares, net of professional fees and out-of-pocket expenses, will be used principally for acquisition of more downstream city gas distribution businesses in the PRC.

Pursuant to the sale and purchase agreement entered on 13 September 2010, the Group acquired 100% equity interest in Mega Fair from Powerfaith for a consideration of HK\$2,221,155,000. The consideration was satisfied in full by the allotment and issue of 186,654,223 consideration shares. The consideration shares were issued on 25 October 2010 at HK\$11.9 per share.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company, which comprises two Independent Non-executive Directors and one Non-executive Director, and have been audited by the Company's auditor, Deloitte Touche Tohmatsu. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

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

APPRECIATION

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

On behalf of the Board
CHINA RESOURCES GAS GROUP LIMITED
MA Guoan
Chairman

Hong Kong, 16 March 2011

As at the date of this announcement, the directors of the Company are Mr. Ma Guoan, Mr. Wang Chuandong and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin and Mr. Wei Bin, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms Yu Jian, being Independent Non-executive Directors.