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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

**FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2015**

Despite challenging downstream city-gas distribution industry and general economic environment, CR Gas recorded an increase of 8% in turnover to HK\$31,096 million and registered a 14% increase in net profit attributable to equity shareholders to HK\$2,838 million.

Gross gas sales volume increased 9% to 14.91 billion m<sup>3</sup> and total connected residential customers increased 14% to 23.61 million.

	<u>2015</u>	<u>2014</u> (Restated)	<u>Increase</u>
<b>Turnover (HK\$ million)</b>	<b>31,096</b>	28,717	8%
<b>Profit attributable to owners of the Company (HK\$ million)</b>	<b>2,838</b>	2,480	14%
<b>Basic earnings per share (HK\$)</b>	<b>1.30</b>	1.14	14%
<b>Interim dividend paid and proposed final dividend per share (HK\$)</b>	<b>0.33</b>	0.25	32%
<b>Gross gas sales volume (million m<sup>3</sup>)</b>	<b>14,913</b>	13,660	9%
<b>Accumulated total connected residential customers (million)</b>	<b>23.61</b>	20.74	14%

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the final results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2015.

## **RESULTS**

The downstream city gas industry in China experienced a challenging year during 2015 with gas demand softening due to the deceleration of the Chinese economic growth. This coupled with the significant drop in price of oil and related products, resulting in reduction of price competitiveness of gas and caused the demand for gas to slow down. This is aggravated by the slow down in industrial activity and hence demand for gas by industrial users, as reflected by the relatively weak Chinese economy which registered a lower 6.9% GDP growth rate compared to 7.4% in 2014.

The overall 2015 gas volume demand growth in China was only 5.7%, same flat level as the 5.6% registered in 2014.

Despite these challenging environment, city gas distribution business in China continued to contribute significant profit and cash inflow to the Group. The Group achieved an increase in turnover of 8% to HK\$31,096 million and recorded profit attributable to the Company’s equity holders of HK\$2,838 million for the year ended 31st December, 2015, an increase of 14% over corresponding year. The operating profit from city gas distribution business increased by 10% to HK\$4,892 million and its operating cash inflow increased from HK\$5,476 million in 2014 to HK\$5,690 million in 2015.

Gross gas sales volume increased 9% from 13.66 billion m<sup>3</sup> to 14.91 billion m<sup>3</sup>.

The total connected residential customers increased 14% from 20.74 million to 23.61 million, despite the softening of the private residential property market in 2015. This was mainly because the number of public housing units increased significantly in China under the government’s policy to cushion the impact of the soft private property sector. The increase in the retrofitting of old households with new gas connections also helped to mitigate against the slowdown in the private residential property market.

The revenue of city gas distribution operation is derived from recurring gas sales and one-time gas connection fee which respectively accounts for 78% and 22% of the 2015 revenue (2014: 78% and 22% respectively).

The turnover of the city gas distribution operation for the year ended 31st December, 2015 amounted to HK\$31,096 million, an increase of 8% over that of 2014. The increase was mainly due to the increase in gas sales volume by 9% from 13.66 billion m<sup>3</sup> to 14.91 billion m<sup>3</sup> and the increase in connection fee income by 10% from HK\$6,236 million to HK\$6,869 million. The increase in gas sales and connection fee income were in turn driven by the following factors:

- (1) 33% increase in the daily installed capacity for commercial & industrial (“C&I”) customers from 47.43 million m<sup>3</sup> to 62.87 million m<sup>3</sup>.
- (2) 14% increase in the number of connected households from 20.74 million to 23.61 million.

The city gas distribution operation registered an overall gross profit margin of 31.5% for 2015, which was 1.2 percentage points higher than the 30.3% for 2014. This is because the gross margin of gas sales increased from 22.2% to 23.7% despite gross margin of connection fee decreased slightly from 59.8% to 58.9% due to changes in city mix resulting in a reduction in average connection fee per household from RMB3,160 in 2014 to RMB2,990 in 2015. The higher overall gas sales margin was mainly to higher margin achieved in sales to commercial and industrial customers arising from dollar margin expansion during gas price reductions and the increase in residential dollar margin due to tiered pricing implement through residential customers.

Other income of HK\$892 million comprised mainly interest income arising from cash pool deposits placed in banks, sale of household gas equipment and related installation fee as well as pipeline construction income. Reduction of HK\$15 million over that of 2014 was mainly due to decrease in pipeline and related project construction revenue.

The increase in absolute amounts of selling and distribution as well as administration expenses in 2015 were mainly due to numerous new projects acquired from 2013 to 2015, these recently acquired projects need time to attain higher operating efficiency. The main increases were staff costs and pipelines and related assets depreciation which increased by HK\$362 million and HK\$65 million respectively. As a percentage of revenue, selling and distribution expenses as well as the administration expenses were 10.0% and 8.1% respectively, (2014: 9.5% and 8.2% respectively).

Finance cost increased by HK\$4 million because of the increase in floating interest rates on bank loans.

There was an increase of HK\$85 million contribution from joint ventures during the year compared to previous year. The increase is in line with the steady performance of the joint ventures.

There was an increase of HK\$15 million contribution from associates during the year compared to previous year. The increase was mainly due to the steady improvement of the financial results of the Group’s Chongqing Project.

Taxation increased by HK\$100 million to HK\$1,508 million, representing 28.4% of profit before taxation (2014: 29.6%). This is mainly due to PRC taxation expenses related to internal group restructuring and PRC withholding tax on payments of offshore dividends.

## **BUSINESS REVIEW AND PROSPECTS**

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

The Group also acquires city gas projects directly from independent third parties and up to 31st December, 2015, the Group has added 174 city gas projects in this manner, including projects in Direct Administrative Cities and Provincial Capitals.

Leveraging on the excellent industry fundamentals and the Group’s execution competency, the Company continues to expand rapidly via organic and acquisition growth. As at 31st December, 2015, the Company operates 220 city gas projects (including 14 provincial capitals and 3 direct administrative municipality) in 22 provinces in China with annual gross gas sales volume of 14.91 billion m<sup>3</sup> and 23.61 million connected residential customers.

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

To increase natural gas supply, the “West to East Gas Transmission” pipelines were constructed with the support of the PRC government to bring natural gas from the Xinjiang Autonomous Region to the coastal regions of the PRC. Construction of the second and third phases of the “West to East Gas Transmission” pipelines from Central Asia and the “Sichuan to East” pipelines from the gas rich Sichuan Province to coastal regions as well as the “Myanmar to Yunnan” gas pipeline have been completed. Construction of the “West to East Gas Transmission” Phase 4, Russia to North-East China gas pipeline as well as Liquefied Natural Gas terminals in coastal cities of the PRC are actively in progress. Natural gas price reform to close the price gap between imported and local gas prices and eventually to reach market driven level is also being implemented. Once realised, these measures are expected to significantly increase the supply of natural gas in China in the foreseeable future.

The National Development and Reform Committee (“NDRC”) has announced that gas will account for 10% or more of the energy sources in China in future, up from the current 5.6% level. Despite the challenging environment in 2015 as noted above, the Group is confident that the PRC Government’s long-term strategic vision of heavily promoting the use of natural gas to diversify its energy sources and combat pollution remains unchanged. All relevant policies and measures will be constantly fine-tuned by NDRC to achieve this goal. This will continue to boost the demand and availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China.

On 28th February, 2015, NDRC announced that with effect from 1st April, 2015, the ceiling city gate gas price for existing volume will increase by RMB0.04/m<sup>3</sup> and that for incremental volume will reduce by RMB0.44/m<sup>3</sup>. This effectively merges the gas prices of existing and incremental gas volumes resulting in an overall net reduction in blended price of city gate gas. On 19th November 2015, NDRC announced that with effect from 20th November 2015, the ceiling city gate gas price for industrial users is reduced by RMB0.70/m<sup>3</sup>. These unprecedented two times reductions of city gate price within a year since gas price reform started in 2011, signal the unwavering objective of NDRC to support the development of Chinese gas industry to ultimately achieve market based gas price. These measures to enhance the price competitiveness of gas will ensure that the NDRC’s target of gas comprising about 10% or more of the total energy sources in China by 2020 is achievable. With the coming availability of abundant cheaper gas globally and in China within the next 3 to 5 years, such market driven approach of gas pricing will spike the continuous demand for gas and will be extremely positive for the entire downstream city gas industry.

The Group’s key business units in Zhengzhou, Wuxi, Chengdu, Fuzhou, Nanjing, Wuhan etc have continued to register good operating performances and profit contribution from Chongqing Project improved steadily.

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

The Group will ride on the continuing favourable industry fundamentals and its experienced management team with strong execution record to scale new heights via quality organic growth and acquisitions.

## SIGNIFICANT INVESTMENTS

On 8th March 2015, CR Gas has signed a Framework Agreement for a proposed 49% city gas joint venture in Qinhuangdao with Qinhuangdao Government. Qinhuangdao is a coastal city in Hebei Province with an annual GDP of RMB125 billion and annual gas consumption of 230 million m<sup>3</sup>. The existing gas concession area covers Harbour Zone, Beidaihe Zone, Shanhaiguan Zone, New Development Zone and Beidaihe New Zone, with more than 390,000 connected households, 6 gas stations (5 CNGs and 1 LNG) and 1,357km pipeline. This joint venture was subsequently set up in October 2015.

On 9 March 2015, CR Gas announced that it will invest RMB612.5 million to set up a 49% joint venture with Qingdao Energy Group. Qingdao is one of the most economically developed cities in China with annual GDP of RMB940 billion with vast demand for piped natural gas in the foreseeable future. The current market share of Qingdao Energy Group is over 70% and the gas sale volume is some 380 million m<sup>3</sup>. The volume is expected to double to some 800 million m<sup>3</sup> by 2020. As one of the biggest remaining projects in China, this project will bring immediate profit contribution in 2016 and eventually become one of our top projects by sales volume.

On 12th April 2015, CR Gas entered into a Cooperation Agreement with government-owned Dalian Gas to establish a 40% joint venture, in Dalian. Dalian is a major city in Liaoning province with an annual GDP of RMB766 billion, population of 5.94 million and annual natural gas consumption of 98.75 million m<sup>3</sup> currently. The gas sales volume has a lot of upside potential in view of the size of its population and GDP. The joint venture will cover concession area in high-tech industrial zone, Zhongshan, Xigang, Shahekou, Ganjingzi and the new airport business zone districts.

The Company considers the establishment of the above joint ventures would accelerate gas infrastructure development and modernise gas distribution and management in Qinghuangdao, Qingdao and Dalian to improve economic efficiency and to tap their vast potentials in the future. The joint ventures will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in various cities in the North East Region of China. These joint ventures will create synergy with the Group's existing gas operations, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

During 2015, the Company continued to make new acquisitions and invested or paid HK\$1,650 million in 18 city gas projects (including Qingdao and Qinhuangdao Projects). Most of these projects are either wholly owned or majority owned by the Group. Another 9 projects totaling HK\$166 million were invested at sub-business level. The above investments totalled HK\$1,816 million. As at 31st December, 2015, CR Gas portfolio included 220 city gas projects and its footprint covered 22 Chinese provinces and included 3 direct administrative municipalities, 14 provincial capitals and 72 prefecture level cities.

In addition, as at 31st December, 2015, the Company has announced or the Board has approved another 25 proposed city gas distribution and related projects with proposed investments of HK\$1,477 million.

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

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

## **SHARE CAPITAL**

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

## **FINAL DIVIDEND**

The Directors have resolved to recommend the payment of a final dividend of 23 HK cents per share. Together with the interim dividend of 10 HK cents per share paid, total distribution for 2015 would thus be 33 HK cents per share (2014: 25 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 23th June, 2016 to shareholders on the register of members of the Company on 8th June, 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 30th May, 2016 to 2nd June, 2016, both days inclusive. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 2nd June 2016, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27th May, 2016.



Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 8th June, 2016 and the register of members of the Company will be closed on 8th June, 2016. In order to qualify for the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 7th June 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2015.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has adopted the mandatory provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the "Handbook") on 23rd December, 2005 and subsequently updated in 2008, 2009, 2010, 2012, 2013, 2014 and 2015 respectively. The contents of the Handbook include, among others, directors' duties, model code for directors' transactions in securities, model code for securities transaction by relevant employees, the functions and terms of reference of the Audit, Remuneration, Nomination, Investment and Corporate Governance Committees, disclosure of information, communication with shareholders, procedures for shareholders to propose a person for election as a director and board diversity policy. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. The Company has throughout the year complied with the mandatory provisions of the Code except for the deviation from code provision D.1.4 which is explained as follows:

Under the code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the Bye-Laws. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Code throughout the year.



## AUDITED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	NOTES	2015 HK\$'000	2014 HK\$'000 (Restated)
Turnover	3	31,095,756	28,717,025
Cost of sales		<u>(21,306,934)</u>	<u>(20,003,435)</u>
Gross profit		9,788,822	8,713,590
Other income	4	892,413	877,321
Other gains (losses)	5	(158,189)	(74,045)
Selling and distribution expenses		<u>(3,126,233)</u>	<u>(2,739,397)</u>
Administrative expenses		<u>(2,505,258)</u>	<u>(2,343,847)</u>
		4,891,555	4,433,622
Finance costs		<u>(540,722)</u>	<u>(536,954)</u>
Share of results of joint ventures		840,428	755,508
Share of results of associates		<u>120,082</u>	<u>105,213</u>
Profit before taxation	6	5,311,343	4,757,389
Taxation	7	<u>(1,508,236)</u>	<u>(1,408,260)</u>
Profit for the year		3,803,107	3,349,129
Other comprehensive expense for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation to presentation currency		<u>(1,565,831)</u>	<u>(106,026)</u>
Total comprehensive income for the year		<u>2,237,276</u>	<u>3,243,103</u>
Profit for the year attributable to:			
Owners of the Company		2,837,910	2,479,898
Non-controlling interests		<u>965,197</u>	<u>869,231</u>
		<u>3,803,107</u>	<u>3,349,129</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		1,573,301	2,386,713
Non-controlling interests		<u>663,975</u>	<u>856,390</u>
		<u>2,237,276</u>	<u>3,243,103</u>
		HK\$	HK\$
Earnings per share	9		
Basic		<u>1.30</u>	<u>1.14</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	<i>NOTES</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment		<b>22,717,164</b>	21,492,431
Prepaid lease payments		<b>1,455,967</b>	1,312,537
Investment properties		<b>39,855</b>	45,757
Interests in joint ventures		<b>9,993,948</b>	9,559,564
Interests in associates		<b>1,952,824</b>	1,990,259
Available-for-sale investments		<b>59,805</b>	52,292
Goodwill		<b>676,169</b>	707,479
Operating rights		<b>1,298,374</b>	1,371,101
Deferred tax assets		<b>190,323</b>	127,738
Deposits for operating rights		<b>20,641</b>	52,171
Deposits for prepaid lease payments		<b>65,460</b>	67,578
Deposits for property, plant and equipment		<b>344,107</b>	438,397
Deposits for investments		<b>731,098</b>	76,058
		<b>39,545,735</b>	37,293,362
Current assets			
Inventories		<b>570,516</b>	639,576
Trade and other receivables	<i>10</i>	<b>7,368,988</b>	6,992,209
Amounts due from customers for contract works		<b>1,534,776</b>	1,590,712
Prepaid lease payments		<b>74,683</b>	60,119
Loan to an intermediate holding company		–	694,532
Loan to a fellow subsidiary		–	707,695
Pledged bank deposits		<b>50,702</b>	65,986
Bank balances and cash			
– Cash and cash equivalents		<b>10,750,872</b>	7,552,519
– Other deposits		–	2,154,988
		<b>20,350,537</b>	20,458,336

	<i>NOTES</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
Current liabilities			
Trade and other payables	<i>11</i>	<b>12,441,037</b>	12,840,328
Amounts due to customers for contract works		<b>8,168,338</b>	7,152,688
Government grants		<b>24,490</b>	32,394
Bank and other borrowings		<b>4,219,798</b>	3,296,513
Taxation payable		<b>569,771</b>	456,621
		<u><b>25,423,434</b></u>	<u>23,778,544</u>
Net current liabilities		<u><b>(5,072,897)</b></u>	<u>(3,320,208)</u>
		<u><b>34,472,838</b></u>	<u>33,973,154</u>
Capital and reserves			
Share capital	<i>12</i>	<b>222,401</b>	222,401
Reserves		<b>16,786,958</b>	15,840,967
Equity attributable to owners of the Company		<b>17,009,359</b>	16,063,368
Non-controlling interests		<b>5,477,647</b>	5,064,551
		<u><b>22,487,006</b></u>	<u>21,127,919</u>
Non-current liabilities			
Government grants		<b>104,489</b>	82,472
Bank and other borrowings		<b>4,970,773</b>	5,933,818
Senior notes		<b>5,708,620</b>	5,698,823
Other long-term liabilities		<b>189,772</b>	232,318
Deferred tax liabilities		<b>1,012,178</b>	897,804
		<u><b>11,985,832</b></u>	<u>12,845,235</u>
		<u><b>34,472,838</b></u>	<u>33,973,154</u>

## NOTES:

### 1. BASIS OF PREPARATION

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK\$5,072,897,000, and the Group had commitments of approximately HK\$2,182,912,000 as at 31st December, 2015. As at 31st December, 2015, the Group had bank and other borrowings totalling approximately HK\$9,190,571,000 of which approximately HK\$4,219,798,000 was classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on renewing the borrowing facilities.

The directors of the Company are of the opinion that, taking into account of the internally generated funds of the Group and the other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 31st December, 2015. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position and/or disclosures set out in the Group's consolidated financial statements.

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

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>2</sup>
Amendments to HKAS 1	Disclosure initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2016.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### **HKFRS 15 “Revenue from contracts with customers”**

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

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

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company are in the process of assessing the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs 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 “Operating segments” are as follows:

Sale and distribution of gas fuel and related products – sale of natural gas and to a much lesser extent, liquefied petroleum gas for residential, commercial and industrial use

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

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

### 3. TURNOVER AND SEGMENT INFORMATION – continued

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

For the year ended 31st December, 2015

#### *Segment revenue and results*

	<b>Sale and distribution of gas fuel and related products <i>HK\$'000</i></b>	<b>Gas connection <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Turnover</b>			
External sales	<u>24,226,958</u>	<u>6,868,798</u>	<u>31,095,756</u>
<b>Results</b>			
Segment results	<u>3,033,303</u>	<u>3,100,175</u>	6,133,478
Share of results of joint ventures			840,428
Share of results of associates			120,082
Finance costs			(540,722)
Unallocated income			733,553
Unallocated expenses			<u>(1,975,476)</u>
Profit before taxation			<u>5,311,343</u>



### 3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2015 – continued

#### Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	<u>30,209,974</u>	<u>4,566,332</u>	34,776,306
Interests in joint ventures			9,993,948
Interests in associates			1,952,824
Deferred tax assets			190,323
Unallocated corporate assets ( <i>Note a</i> )			<u>12,982,871</u>
			<u>59,896,272</u>
<b>LIABILITIES</b>			
Segment liabilities	<u>5,822,921</u>	<u>11,219,737</u>	17,042,658
Taxation payable			569,771
Deferred tax liabilities			1,012,178
Unallocated corporate liabilities ( <i>Note b</i> )			<u>18,784,659</u>
			<u>37,409,266</u>

#### Other information

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

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	4,949,387	–	11,099	4,960,486
Additions to non-current assets arising from acquisition of subsidiaries	5,609	–	5,150	10,759
Depreciation and amortisation	1,040,819	–	3,371	1,044,190
Impairment loss on trade receivables	28,163	–	–	28,163
Loss on disposal of property, plant and equipment	<u>6,090</u>	<u>–</u>	<u>–</u>	<u>6,090</u>

### 3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2014

#### 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>
<b>Turnover</b>			
External sales	22,480,639	6,236,386	28,717,025
<b>Results</b>			
Segment results	2,652,265	2,844,221	5,496,486
Share of results of joint ventures			755,508
Share of results of associates			105,213
Finance costs			(536,954)
Unallocated income			785,427
Unallocated expenses			(1,848,291)
Profit before taxation			4,757,389

#### 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>
<b>ASSETS</b>			
Segment assets	28,988,263	4,519,154	33,507,417
Interests in joint ventures			9,559,564
Interests in associates			1,990,259
Deferred tax assets			127,738
Unallocated corporate assets (Note a)			12,566,720
			57,751,698
<b>LIABILITIES</b>			
Segment liabilities	5,345,185	10,446,347	15,791,532
Taxation payable			456,621
Deferred tax liabilities			897,804
Unallocated corporate liabilities (Note b)			19,477,822
			36,623,779

### 3. TURNOVER AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2014 – continued

*Other information (restated)*

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

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	6,096,993	–	1,598	6,098,591
Additions to non-current assets arising from acquisition of subsidiaries	1,054,034	–	378,922	1,432,956
Depreciation and amortisation	949,560	–	1,305	950,865
Impairment loss on trade receivables	125,984	–	–	125,984
Loss on disposal of property, plant and equipment	31,670	–	–	31,670

*Notes:*

- a. Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries which are engaged in sale and distribution of gas fuel and related products and gas connection, investment properties, deposits for investments in joint ventures, available-for-sale investments, other receivables, loans to an intermediate holding company and a fellow subsidiary, pledged bank deposits and bank balances and cash.
- b. Unallocated corporate liabilities represent other payables, accrued expenses, consideration payable for acquisition of subsidiaries, bank and other borrowings, senior notes and other long-term liabilities (excluding payable for acquisition of operating rights). Bank and other borrowings and senior notes are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

#### **Geographical information**

The Group's turnover and non-current assets (excluding financial instruments and deferred tax assets) are arisen in and located in the People's Republic of China (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.

#### 4. OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Other income included:		
Government grants	37,238	25,851
Interest income from bank deposits	159,763	151,899
Interest income from other deposits	34,006	116,872
Interest income from deposits placed with a fellow subsidiary	30,098	20,396
Interest income from loan to an intermediate holding company	19,689	51,603
Interest income from loan to a fellow subsidiary	6,426	7,695
Interest income from joint ventures	2,784	2,945
Interest income from a joint venture	–	5,094
Rental income from investment properties (outgoings of HK\$20,156 (2014:HK\$24,146))	<u>25,293</u>	<u>29,075</u>

#### 5. OTHER GAINS (LOSSES)

	2015 HK\$'000	2014 HK\$'000
Exchange (loss) gain	(151,038)	6,605
Loss on disposal of property, plant and equipment	(6,090)	(31,670)
Loss on disposal of prepaid lease payments	(1,061)	(19,716)
Loss on deemed disposal of partial interest in an associate	–	(29,264)
	<u>(158,189)</u>	<u>(74,045)</u>

#### 6. PROFIT BEFORE TAXATION

	2015 HK\$'000	2014 HK\$'000 (Restated)
Profit before taxation has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	14,845	22,254
Other staff		
– Salaries and bonus	2,180,671	1,888,603
– Other benefits	434,431	388,629
– Performance related incentive payments under the Incentive Award Scheme	19,255	27,213
– Retirement benefits schemes contributions	410,812	371,221
Total staff costs	<u>3,060,014</u>	<u>2,697,920</u>
Auditor's remuneration	11,372	8,831
Depreciation of property, plant and equipment	980,687	916,096
Release of prepaid lease payments	72,696	50,423
Depreciation of investment properties	3,371	1,305
Amortisation of operating rights (included in administrative expenses)	60,132	33,464
Impairment loss on trade receivables	28,163	125,984
Operating lease rentals in respect of rented premises	<u>164,871</u>	<u>136,642</u>

*Note:* During the year ended 31st December, 2014, 重慶燃氣集團股份有限公司 (“重慶燃氣”) listed its shares on the Shanghai Stock Exchange. As a result, the Group's interest in 重慶燃氣 reduced from 25% to 22.49% and the Group had a loss of HK\$29,264,000 on deemed disposal of partial interest in 重慶燃氣.

## 7. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax	1,378,061	1,140,943
(Over) underprovision in prior years	(13,294)	2,016
Withholding tax paid for distributed profits and intergroup restructuring of investments in the PRC	<u>68,751</u>	<u>98,122</u>
	1,433,518	1,241,081
Deferred taxation	<u>74,718</u>	<u>167,179</u>
	<u><u>1,508,236</u></u>	<u><u>1,408,260</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards except for certain group entities which are entitled to various concessionary tax rates.

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

## 8. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 interim dividend – 10 HK cents per share (2014: 2014 interim dividend – 5 HK cents per share)	217,464	108,637
2014 final dividend – 20 HK cents per share (2014: 2013 final dividend – 20 HK cents per share)	<u>434,928</u>	<u>434,547</u>
	<u><u>652,392</u></u>	<u><u>543,184</u></u>

The directors recommend the payment of a final dividend of 23 HK cents (2014: 20 HK cents) per share for the year ended 31st December, 2015 amounting to HK\$435,190,000 (2014: HK\$434,928,000).

## 9. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (Restated)
<b>Earnings:</b>		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	<u>2,837,910</u>	<u>2,479,898</u>
	2015	2014
<b>Number of shares:</b>		
Weighted average number of shares in issue less shares held for incentive award scheme for the purpose of basic earnings per share	<u>2,175,077,350</u>	<u>2,172,768,251</u>

No diluted earnings per share is presented as there are no potential ordinary shares during both years.

## 10. TRADE AND OTHER RECEIVABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	3,376,657	3,356,160
91 – 180 days	377,684	325,603
181 – 365 days	221,288	194,180
Over 365 days	<u>40,022</u>	<u>79,435</u>
	<u>4,015,651</u>	<u>3,955,378</u>

## 11. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	2,872,775	2,867,924
91 – 180 days	489,573	486,896
181 – 365 days	741,946	737,045
Over 365 days	<u>588,141</u>	<u>584,467</u>
	<u>4,692,435</u>	<u>4,676,332</u>

The average credit period on purchases of goods ranges from 7 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.



## 12. SHARE CAPITAL

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

There were no changes in the Company's authorised, issued and fully paid share capital during both years.

## REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2015 have been reviewed by the Audit Committee of the Company, which comprises two Independent Non-executive Directors and one Non-executive Director, and have been audited by the Company's auditor, Deloitte Touche Tohmatsu. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

## PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

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

## APPRECIATION

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

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

Hong Kong, 30 March, 2016

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