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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, 2019

During 2019, CR Gas recorded an increase of 13.33% in net profit attributable to shareholders to HK$5,043 million and its net operating cash flow increased by 1.79% to HK$8,491 million. The Board of CR Gas recommends an increase of 12.99% in total dividend per share to HK$0.87.

	2019	**2018**	**Increase**
Turnover (HK$ million)	**55,835**	51,165	**9.13%**
Profit attributable to owners of the Company (HK$ million)	**5,043**	4,450	**13.33%**
Basic earnings per share (HK$)	**2.32**	2.04	**13.73%**
Net operating cash flow (HK$ million)	**8,491**	8,342	**1.79%**
Interim dividend paid and proposed final dividend per share (HK$)	**0.87**	0.77	**12.99%**
Gross gas sales volume (million m^3)	**28,010**	24,278	**15.37%**
Total new connected residential customers (million)	**3.28**	3.22	**1.86%**

The board of directors (the "Board") of China Resources Gas Group Limited (the "Company" or "CR Gas") is pleased to announce the final results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	4	**55,835,113**	51,165,371
Cost of sales		**(41,904,294)**	(37,543,643)
Gross profit		**13,930,819**	13,621,728
Other income	5	**1,516,976**	936,984
Selling and distribution expenses		**(4,363,509)**	(4,131,753)
Administrative expenses		**(2,836,848)**	(2,829,966)
Impairment losses on financial assets, net		**(78,726)**	(66,933)
Finance costs		**(533,587)**	(459,632)
Share of results of joint ventures		**520,511**	557,324
Share of results of associates		**235,638**	249,297
Profit before taxation	6	**8,391,274**	7,877,049
Taxation	7	**(1,921,821)**	(1,988,638)
Profit for the year		**6,469,453**	5,888,411
Other comprehensive income (expense) for the year			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(674,632)**	(1,407,968)
Item that will not be subsequently reclassified to profit or loss			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax		**19,400**	(60,287)
Total comprehensive income for the year		**5,814,221**	4,420,156
Profit for the year attributable to:			
Owners of the Company		**5,043,477**	4,450,101
Non-controlling interests		**1,425,976**	1,438,310
		6,469,453	5,888,411
Total comprehensive income for the year attributable to:			
Owners of the Company		**4,391,551**	3,197,594
Non-controlling interests		**1,422,670**	1,222,562
		5,814,221	4,420,156
		HK$	*HK$*
Earnings per share	9		
Basic		**2.32**	2.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**33,295,094**	30,918,515
Investment properties		**81,727**	68,182
Right-of-use assets		**2,524,679**	–
Prepaid lease payments		**–**	1,926,460
Interests in joint ventures		**9,505,281**	9,510,144
Interests in associates		**3,811,134**	3,438,449
Equity investments designated at fair value through other comprehensive income		**146,258**	123,605
Goodwill		**669,370**	668,860
Operating rights		**1,185,695**	1,234,006
Deferred tax assets		**277,336**	265,822
Deposits for operating rights		**3,143**	1,593
Deposits for right-of-use assets		**139,578**	–
Deposits for prepaid lease payments		**–**	79,256
Deposits for purchase of property, plant and equipment		**141,609**	309,642
		51,780,904	48,544,534
Current assets			
Inventories		**857,076**	940,057
Trade and other receivables	*10*	**11,670,689**	10,964,798
Assets related to contract works		**3,473,424**	2,625,560
Prepaid lease payments		**–**	96,583
Pledged bank deposits		**5,208**	7,550
Bank balances and cash		**13,236,655**	10,392,696
		29,243,052	25,027,244
Current liabilities			
Trade and other payables	*11*	**21,995,513**	18,485,551
Contract liabilities		**13,018,460**	12,342,544
Government grants		**77,953**	68,116
Bank and other borrowings		**2,031,347**	2,634,961
Lease liabilities		**92,177**	–
Taxation payable		**739,522**	715,910
		37,954,972	34,247,082
Net current liabilities		**(8,711,920)**	(9,219,838)
		43,068,984	39,324,696

	2019	2018
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**222,401**	222,401
Reserves	**26,573,036**	23,858,719
Equity attributable to owners of the Company	**26,795,437**	24,081,120
Non-controlling interests	**8,561,346**	7,527,360
	35,356,783	31,608,480
Non-current liabilities		
Government grants	**254,107**	224,247
Bank and other borrowings	**285,261**	251,382
Lease liabilities	**268,990**	–
Senior notes	**5,545,404**	5,823,508
Other long-term liabilities	**243,845**	188,647
Deferred tax liabilities	**1,114,594**	1,228,432
	7,712,201	7,716,216
	43,068,984	39,324,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2019

1. GENERAL

The Company is a listed public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's intermediate parent company is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong and its ultimate holding company is China Resources Company Limited ("CRCL") (formerly known as "China Resources National Corp."), a company established in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$8,711,920,000, and the Group has capital commitments of HK$2,912,944,000 as at 31st December, 2019. As at 31st December, 2019, the Group has bank and other borrowings totalling HK$2,316,608,000 of which HK$2,031,347,000 was classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group's ability on renewing the borrowing facilities.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities of HK$15,479,424,000 and internally generated funds of the Group and the other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 31st December, 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE – continued

As a lessee – Leases previously classified as operating leases – continued

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019, relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review, and excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application when applying HKFRS 16.C8(b)(i)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 as at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	2,500,506
Decrease in prepaid land lease payments	(2,023,043)
Decrease in prepayments, other receivables and other assets	(11,033)
Increase in total assets	466,430
Liabilities	
Increase in lease liabilities	466,430
Increase in total liabilities	466,430
Decrease in retained earnings	–

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE – continued

Financial impact at 1 January 2019 – continued

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	584,149
Weighted average incremental borrowing rate as at 1 January 2019	4.22%
Discounted operating lease commitments as at 1 January 2019	502,237
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(35,807)
Lease liabilities as at 1 January 2019	466,430

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

(ii) Gas connection – construction of gas pipelines networks under gas connection contracts;

(iii) Sale of gas appliances – sale of gas appliances and related products;

(iv) Design and construction services – design, construction, consultancy and management for gas connection projects;

(v) Gas stations – sale of gas fuel in natural gas filling stations.

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

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

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

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

For the year ended 31st December, 2019

Segment revenue and results

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
Revenue						
External sales	**40,417,292**	**10,573,372**	**383,785**	**678,975**	**3,781,689**	**55,835,113**
Results						
Segment results	**4,916,929**	**4,577,114**	**40,810**	**80,761**	**663,018**	**10,278,632**
Share of results of joint ventures						**520,511**
Share of results of associates						**235,638**
Finance costs (other than interest on lease liabilities)						**(517,797)**
Unallocated income						**1,057,132**
Unallocated expenses						**(3,182,842)**
Profit before taxation						**8,391,274**

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

For the year ended 31st December, 2019 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets	39,362,649	5,289,235	148,124	207,572	1,459,037	46,466,617
Interests in joint ventures						9,505,281
Interests in associates						3,811,134
Deferred tax assets						277,336
Unallocated corporate assets *(Note a)*						20,963,588
						81,023,956
LIABILITIES						
Segment liabilities	4,554,812	14,357,673	101,112	1,403,621	101,148	20,518,366
Taxation payable						739,522
Deferred tax liabilities						1,114,594
Unallocated corporate liabilities *(Note b)*						23,294,691
						45,667,173

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

For the year ended 31st December, 2019 – continued

Other information

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

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sale of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	**5,030,960**	**–**	**–**	**6,525**	**129,944**	**–**	**5,167,429**
Depreciation and amortisation	**1,854,803**	**–**	**–**	**2,984**	**64,235**	**–**	**1,922,022**
(Reversal of impairment loss)/ impairment loss on trade receivables, net	**(8,097)**	**81,778**	**(91)**	**1,827**	**(3,810)**	**–**	**71,607**
Reversal of impairment loss on other receivables	**–**	**–**	**–**	**–**	**–**	**(5,435)**	**(5,435)**
Impairment loss on contract assets, net	**–**	**12,554**	**–**	**–**	**–**	**–**	**12,554**
Loss on disposal of property, plant and equipment	**10,793**	**–**	**–**	**–**	**–**	**–**	**10,793**
Loss on disposal of prepaid lease payments	**388**	**–**	**–**	**–**	**–**	**–**	**388**

For the year ended 31st December, 2018

Segment revenue and results

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

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

For the year ended 31st December, 2018 – continued

Segment assets and liabilities

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

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

For the year ended 31st December, 2018 – continued

Other information

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

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

Notes:

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

b. Unallocated corporate liabilities represent other payables, bank and other borrowings and senior notes. Bank and other borrowings and senior notes are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

Geographical information

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

	2019 ***HK$'000***	2018 *HK$'000*
PRC	**51,353,237**	48,154,121
Hong Kong	**4,073**	986
	51,357,310	48,155,107

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

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Other income included:		
Extended service income	**569,875**	286,049
Integrated energy income	**77,691**	37,056
Government grants	**100,696**	114,927
Interest income from bank deposits	**29,965**	12,362
Interest income from other deposits *(Note a)*	**263,193**	274,933
Dividend income from equity investments at fair value through other comprehensive income	**3,213**	484
Interest income from deposits placed with a fellow subsidiary	**8,670**	36,883
Interest income from loan to a fellow subsidiary	**39,205**	4,441
Interest income from loan to an intermediate holding company	**16,739**	2,951
Interest income from joint ventures	**1,326**	2,028
Interest income from associates	**299**	–
Rent income from operating leases	**31,999**	28,981
Gain on disposal of joint ventures	**153**	12,936
Gain on deemed partial disposal of an associate *(Note b)*	**224,083**	–

Notes:

a. At 31st December, 2019, interest income from other deposits consisted of interest income from principal protected deposits and bank financing products denominated in RMB issued by banks in the PRC.

b. During the year, 成都燃氣集團股份有限公司("成都燃氣") listed its shares on Shanghai Stock Exchange. As a result, the Group's interest in 成都燃氣was diluted from 36% to 32.4% and the Group recognised a gain of HK$224,083,000 on deemed partial disposal of interest in 成都燃氣.

6. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments	**14,770**	14,691
Other staff		
– Salaries and bonus	**3,209,515**	2,711,211
– Other benefits	**773,788**	799,210
– Retirement benefit scheme contributions	**568,280**	583,592
Total staff costs	**4,566,353**	4,108,704
Auditor's remuneration	**11,975**	11,857
Depreciation and impairment of property, plant and equipment	**1,670,049**	1,626,869
Depreciation of investment properties	**3,952**	1,803
Depreciation of right-of-use assets	**184,556**	–
Amortisation of prepaid lease payments	**–**	60,415
Amortisation of operating rights (included in administrative expenses)	**63,465**	53,444
Impairment of financial and contract assets, net		
– Impairment of trade receivables, net	**71,607**	39,333
– Impairment/(reversal of impairment) of other receivables, net	**(5,435)**	27,600
– Impairment of contract assets, net	**12,554**	–
Loss on disposal of property, plant and equipment	**10,793**	2,195
Loss on disposal of right-of-use assets	**388**	–
Loss on disposal of prepaid lease payments	**–**	1,227
Lease payments not included in the measurement of lease liabilities	**108,749**	–
Operating lease rentals in respect of rented premises	**–**	211,932

7. TAXATION

	2019	2018
	HK$'000	*HK$'000*
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax	**1,940,648**	2,030,151
Underprovision/(Overprovision) in prior years	**36,416**	(60,810)
Withholding tax paid for distributed profits and intergroup restructuring of investments in the PRC	**44,424**	92,530
	2,021,488	2,061,871
Deferred taxation	**(99,667)**	(73,233)
	1,921,821	1,988,638

Hong Kong Profits Tax has been provided at 16.5% (2018: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong did not have assessable profits, accordingly no provision for Hong Kong Profits Tax has been made in the consolidated financial statements for the both years.

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

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

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2019 interim dividend – 15 HK cents per share (2018: 2018 interim dividend – 15 HK cents per share)	**326,740**	326,741
2018 final dividend – 62 HK cents per share (2018: 2017 final dividend – 40 HK cents per share)	**1,350,494**	871,296
	1,677,234	1,198,037

The directors recommend the payment of a final dividend of 72 HK cents (2018: 62 HK cents) per share for the year ended 31st December, 2019 in an aggregate amount of HK$1,568,315,000 (2018: HK$1,350,494,000).

9. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	**5,043,477**	4,450,101

	2019	2018
Number of shares:		
Weighted average number of shares in issue less shares held for incentive award scheme for the purpose of basic earnings per share	**2,178,215,487**	2,178,215,487

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

10. TRADE AND OTHER RECEIVABLES

The Group generally grants credit periods ranging from 30 to 90 days to its customers. The ageing 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:

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**4,078,942**	3,561,184
91 – 180 days	**350,374**	297,942
181 – 365 days	**310,963**	210,670
Over 365 days	**106,040**	108,205
	4,846,319	4,178,001

11. TRADE AND OTHER PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**4,718,097**	4,338,115
91 – 180 days	**638,114**	596,434
181 – 365 days	**921,774**	786,497
Over 365 days	**553,839**	598,801
	6,831,824	6,319,847

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

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2019 have been reviewed by the Audit and Risk Management Committee of the Company, which comprises three Independent Non-executive Directors and two Non-executive Directors, and have been audited by the Company's auditor, Ernst & Young. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

BUSINESS REVIEW

Annual results

In 2019, benefiting from the steady operation of China's macro economy and the continued promotion of environmental protection policies, China's natural gas consumption increased significantly to reach 306.7 billion cubic meters, representing a year-on-year increase of 9.4%. Capturing market opportunities, the Group achieved rapid development, recording an annual gas sales volume of 28.01 billion cubic meters, representing a year-on-year increase of 15.4%. The number of gas users reached 37.95 million, representing a year-on-year increase of 9.5%. The Group continued to reinforce the management foundation and pushed for internal reform, which resulted in continuous improvement in operating efficiency and steady increase in profitability. The profit attributable to owners of the Company was HK$5.04 billion, representing a year-on-year increase of 13.3%. The Group proposed to pay a final dividend of 72 HK cents per share, bringing a total dividend of 87 HK cents per share for the year, representing an increase of 13.0% from 77 HK cents per share in 2018, with a dividend payout ratio of 37.5%.

Sale of natural gas

In 2019, the PRC government implemented a series of environmental protection policies, with an aim to continue the promotion of air pollution control and reinforce "coal-to-gas conversion" plan in residential, heating, industrial and other industries in key areas. Leveraging on the advantage of the opportunity to prevent and combat air pollution, the Group tapped on the potential of the industrial and commercial market and actively promoted the consumption of natural gas by industrial and commercial users to achieve rapid growth in gas sales volume. During the year, the Group's natural gas sales volume reached 28.01 billion cubic meters, among which, the industrial gas sales volume reached 13.97 billion cubic meters, representing an increase of 22.4% and accounting for 49.9% of the total gas sales volume of the Group. The commercial gas sales volume reached 6.13 billion cubic meters, representing an increase of 12.5% and accounting for 21.9% of the total gas sales volume of the Group, and residential gas sales volume increased by 14.5% to 6.32 billion cubic meters, accounting for 22.6% of the total gas sales volume of the Group.

Development of new users

Benefiting from a larger market share of gas projects in cities with a developed economy, coupled with the rapid development of urbanization, the Group's gas connection business for residential users has been growing constantly, connecting 3.28 million new residential users for the year, including 550,000 old residential users and 200,000 rural coal-to-gas conversion users, and connected 30,000 new industrial and commercial users. As of the end of 2019, the average gas penetration rate of the Group's city-gas projects in China increased from 50.3% at the end of 2018 to 53.0%.

New project expansion

The Group continued to focus on developing city gas business, its core business. Leveraging on outstanding market expansion capabilities, good corporate branding and operational excellence, the Group completed the registration of 13 subsidiaries with a total investment of HK$0.7 billion in 2019. The projects the Group acquired are located in places such as Jiangyin, Nanjing, Xiamen, Neijiang and Wuyishan, resulting in expansion of the area under concession right of 4,328 square kilometres, the expected number of new users of 200,000 and the increase in gas sales volume by 150 million m^3 per annum.

By the end of 2019, the number of city gas projects of the Group has reached 251, covering 22 provinces, 3 direct administrative municipalities and 73 prefecture-level cities. The expanding operational regions and prime geographic locations of the projects have laid a solid foundation for the sustained and rapid growth of the Group's core business.

New business development

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

In 2019, 10 new distributed energy projects were approved by the Group, with a total investment estimated to be HK$4.0 billion. Upon completion, these projects will contribute an installed capacity of 340MW.

In terms of charging posts business, charging posts in Hangzhou, Nanjing, Suzhou and Zhenjiang companies were put into service with stable operation in 2019, and charging posts were prepared to be constructed in Jiangyin and Yueyang, with an annual charging capacity of 129.33 million kWh and an operating profit of HK$40.37 million, representing an increase of 146% as compared with that in 2018.

Value-added business development

The Group thoroughly explored customer value and vigorously promoted value-added services. In 2019, the Group realized value-added business income of HK$2.01 billion, representing a year-on-year increase of 29.7%. Among them, gas insurance realized premium income of HK$330 million, representing a year-on-year increase of 73.7%. The Group will continue to take flexible market-based approaches to make the value-added services a new profit growth point for the Company in the future.

Key financial information

In 2019, the Group recorded a turnover of HK$55.835 billion, representing a year-on-year increase of 9.13%. The Group's overall gross profit margin was 24.9%, representing a decrease of 1.7 percentage points as compared with last year. The decrease in overall gross profit margin was mainly attributable to the proportion of revenue from sales and distribution of gas fuel and related products and revenue derived from gas stations to turnover increased significantly from 78.6% last year to 79.2% in 2019 while the proportion of revenue from gas connection with relatively high gross profit margin decreased from 19.4% last year to 18.9%. The Group believed that the increase in the proportion of gas sales revenue reflected the continuous optimization of the Group's business structure, laying a solid foundation for the Group's future sustainable development.

The Group has been adopting prudent financial resources management policies to keep borrowings and capital expenditure at a sound level. In 2019, the Group's cash flow achieved a steady growth. The operating cash flow during the year reached HK$8.49 billion, representing a year-on-year increase of 1.79%. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future.

Having taken into account the Group's sustained and steady growth and rising performance quality, three international rating agencies, namely Moody's, Standard & Poor's and FitchRatings, published reports in 2019, maintain the credit rating of the Group to A3, A- and A-, respectively. The Group's development strategy of focusing on its core business and its excellent financial performance have been widely recognised by the market, which will further reduce the finance costs to be incurred by the Group in its potential financing activities, and provide sufficient financial resources for the long-term healthy development of the Group.

DEVELOPMENT PROSPECT

At the beginning of 2020, a novel coronavirus pneumonia ("COVID-19") swept across the nation. To prevent and control the epidemic, various production and business sites have been closed down, the resumption of work after the Chinese New Year holiday has been postponed, and social production and consumption has reduced. At the same time, local governments have successively introduced supportive measures to support the production resumption of medium, small and micro-sized enterprises, as well as preferential policies for utility companies to reduce fees and delay payments, which will have a substantial impact on the Group's performance in 2020.

2020 is the year in which China will build a well-off society in an all-round way and the last year of the "13th Five-Year Plan", as well as the year to achieve the targets stated in the "Three-Year Action Plan to Win the Battle for a Blue Sky (《打贏藍天保衛戰三年行動計劃》). Seizing the opportunities arising from the development of the industry, the Group will take the initiative in cooperating with the natural gas promotion and utilization policies of governments at all levels to achieve sustainable growth in its core city gas business. While focusing on the development of the main businesses, the Group will also revolve around the expansion of industry chains, explore customers oriented value, step up its efforts to expand businesses such as distributed energy and charging posts, promote the development of value-added services, and provide customers with diversified energy supply and services in an effort to continually enhance shareholders' return and promote sustainable development of the Group.

CORPORATE SOCIAL RESPONSIBILITY

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

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

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 72 HK cents per share. Together with the interim dividend of 15 HK cents per share paid, total distribution for 2019 would thus be 87 HK cents per share (2018: 77 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 15th June, 2020 to shareholders whose names appear on the register of members of the Company on 28th May, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18th May, 2020 to Friday, 22nd May, 2020, both days inclusive. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 22nd May, 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 15th May, 2020.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Thursday, 28th May, 2020 and the register of members of the Company will be closed on Thursday, 28th May, 2020, during which no transfer of shares of the Company will be registered. In order to be entitled to 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 27th May, 2020.

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, 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the mandatory provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the "Handbook") on 23rd December, 2005 and subsequently updated it in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016 and 2018 respectively. The contents of the Handbook include, among others, directors' duties, model code for directors' transactions in securities, model code for securities transaction by relevant employees, the functions and terms of reference of the Audit and Risk Management, Remuneration, Nomination, Investment and Corporate Governance Committees, disclosure of information, communication with shareholders, procedures for shareholders to propose a person for election as a director and Board diversity policy. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. The Company has throughout the year complied with the mandatory provisions of the Code except for the deviation from the code provisions A.5.5(2) and D.1.4, which are explained as follows:

Under the code provision A.5.5, where the Board proposes a resolution to elect an individual as an Independent Non-executive Director at the general meeting, it should set out in the circular to shareholders why the Board believes that an Independent Non-executive Director holding his seventh or more listed company directorship will still be able to devote sufficient time to the Board. The information as required under code provision A.5.5 was not provided in the circular dated 23rd April, 2019. The details were provided in 2019 Interim report.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

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

APPRECIATION

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

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

Hong Kong, 27th March, 2020

As at the date of this announcement, the directors of the Company are Mr. SHI Baofeng and Mr. GE Bin, being Executive Directors; Mr. WANG Chuandong, Mr. CHEN Ying, Mr. WANG Yan, Madam WAN Suet Fei and Mr. JING Shiqing, being Non-executive Directors; and Mr. WONG Tak Shing, Mr. YU Hon To, David, Mr. YANG Yuchuan and Mr. HU Xiaoyong, being Independent Non-executive Directors.