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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, 2022

	<u>2022</u>	<u>2021</u>	Increase/ (Decrease)
Turnover (HK\$ million)	94,338	79,642	18.45%
Profit attributable to owners of the Company (HK\$ million)	4,733	6,395	(25.99)%
Basic earnings per share (HK\$)	2.09	2.82	(25.89)%
Net operating cash flow (HK\$ million)	4,351	8,390	(48.14)%
Interim dividend paid and proposed final dividend per share (HK\$)	1.05	1.27	(17.32)%
Gross gas sales volume (million m3)	35,889	34,082	5.30%
Total new connected residential customers (million)	4.08	3.52	15.68%

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, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	94,338,329	79,642,030
Cost of sales		(76,256,478)	(60,465,838)
Gross profit		18,081,851	19,176,192
Other income	5	770,571	893,449
Selling and distribution expenses		(6,303,129)	(5,758,032)
Administrative expenses		(3,883,450)	(3,825,113)
Impairment losses on financial and contract assets, net		(2,803)	(11,321)
Finance costs		(557,018)	(382,381)
Share of results of joint ventures		83,385	702,351
Share of results of associates		426,149	388,572
Profit before taxation	6	8,615,556	11,183,717
Taxation	7	(2,307,037)	(2,743,885)
Profit for the year		<u>6,308,519</u>	<u>8,439,832</u>
Other comprehensive income			
Other comprehensive (expense) income for the year			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		<u>(4,957,019)</u>	<u>783,397</u>
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value, net of tax		(18,834)	14,421
Unfunded defined benefit plans		(4,311)	(5,253)
Other comprehensive (expense) income for the year, net of tax		<u>(4,980,164)</u>	<u>792,565</u>
Total comprehensive income for the year		<u>1,328,355</u>	<u>9,232,397</u>
Profit for the year attributable to:			
Owners of the parent		4,733,455	6,395,368
Non-controlling interests		1,575,064	2,044,464
		<u>6,308,519</u>	<u>8,439,832</u>
Total comprehensive income for the year attributable to:			
Owners of the parent		975,825	7,035,864
Non-controlling interests		352,530	2,196,533
		<u>1,328,355</u>	<u>9,232,397</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share – Basic	9	<u>2.09</u>	<u>2.82</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2022

		31st December, 2022	31st December, 2021
	NOTES	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets			
Property, plant and equipment		48,109,353	47,349,282
Investment properties		83,506	89,262
Right-of-use assets		3,187,652	3,253,642
Interests in joint ventures		17,073,491	12,991,745
Interests in associates		7,490,673	7,692,448
Equity investments designated at fair value through other comprehensive income		288,673	164,794
Goodwill		2,539,906	1,274,030
Operating rights		2,464,538	1,958,365
Deferred tax assets		508,859	463,247
Loans to a joint venture		1,937,600	–
Deposits for acquisition of assets		294,830	322,424
Deposits for investments		–	11,586
		<u>83,979,081</u>	<u>75,570,825</u>
Total non-current assets			
Current assets			
Inventories		1,306,646	1,142,272
Trade and other receivables	10	17,042,481	15,705,278
Assets related to contract works		3,285,077	3,628,060
Pledged bank deposits and restricted cash		896	2,526,923
Bank balances and cash		6,437,479	7,562,950
		<u>28,072,579</u>	<u>30,565,483</u>
Total current assets			
Current liabilities			
Trade and other payables	11	27,046,179	26,184,673
Contract liabilities		10,488,646	15,185,964
Government grants		21,587	35,907
Bank and other borrowings		7,695,765	615,659
Lease liabilities		102,566	122,471
Senior notes		–	5,583,770
Taxation payable		879,508	969,296
		<u>46,234,251</u>	<u>48,697,740</u>
Total current liabilities			
Net current liabilities			
		<u>(18,161,672)</u>	<u>(18,132,257)</u>
Total assets less current liabilities			
		<u><u>65,817,409</u></u>	<u><u>57,438,568</u></u>

31st December, 31st December,
2022 2021
HK\$'000* *HK\$'000

Capital and reserves		
Share capital	231,401	231,401
Reserves	39,103,305	41,025,514
Equity attributable to owners of the parent	39,334,706	41,256,915
Non-controlling interests	13,205,760	12,780,747
Total equity	52,540,466	54,037,662
Non-current liabilities		
Government grants	757,947	845,182
Bank and other borrowings	10,020,646	295,706
Lease liabilities	304,829	267,238
Other long-term liabilities	627,900	675,571
Deferred tax liabilities	1,565,621	1,317,209
Total non-current liabilities	13,276,943	3,400,906
	65,817,409	57,438,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2022

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 addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

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 results 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\$18,161,672,000, and the Group had capital commitments of HK\$2,613,779,000 as at 31 December, 2022. As at 31 December, 2022, the Group had bank and other borrowings totalling HK\$17,716,411,000, of which HK\$7,695,765,000 was classified as current liabilities.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities of HK\$28,760,660,000 and internally generated funds of the Group, the Group has sufficient working capital for its present requirements for the next twelve months from 31 December, 2022. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual improvements of HKFRSs 2018-2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that is applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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 the 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 pipeline networks under gas connection contracts;
- (iii) Comprehensive services – sales of gas appliances, related products and extended services;
- (iv) Design and construction services – design, construction, consultancy and management for gas connection projects;
- (v) Gas stations – sale of gas fuel in natural gas filling stations.

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 for the purpose of revenue allocation and assessment of segment performance.

During the six months ended 30th June, 2022, the chief operating decision maker has reassessed its businesses and a new operating segment namely Comprehensive services has been identified which includes the prior segment of sale of gas appliances and additional extended services. This new segment reporting is used by management to analyse its business performance, and corresponding figures for 2021 have been restated on the same basis.

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, 2022

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Comprehensive services <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Revenue</i>						
External sales	75,137,134	12,207,857	3,185,334	471,289	3,336,715	94,338,329
<i>Results</i>						
Segment results	5,550,569	4,284,201	1,153,791	63,538	323,267	11,375,366
Share of results of joint ventures						83,385
Share of results of associates						426,149
Finance costs (other than interest on lease liabilities)						(531,349)
Unallocated income						641,856
Unallocated expenses						(3,379,851)
Profit before taxation						<u>8,615,556</u>

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

For the year ended 31st December, 2022 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Comprehensive services <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	<u>60,794,075</u>	<u>5,615,327</u>	<u>671,882</u>	<u>143,905</u>	<u>1,720,840</u>	<u>68,946,029</u>
Interests in joint ventures						17,073,491
Interests in associates						7,490,673
Deferred tax assets						508,859
Unallocated corporate assets (<i>Note a</i>)						<u>18,032,608</u>
						<u>112,051,660</u>
LIABILITIES						
Segment liabilities	<u>7,355,719</u>	<u>12,188,571</u>	<u>637,558</u>	<u>2,008,568</u>	<u>94,927</u>	<u>22,285,343</u>
Taxation payable						879,508
Deferred tax liabilities						1,565,621
Unallocated corporate liabilities (<i>Note b</i>)						<u>34,780,722</u>
						<u>59,511,194</u>

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

For the year ended 31st December, 2022 – continued

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>	Comprehensive services <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	6,905,331	-	-	4,467	20,936	405	6,931,139
Depreciation and amortisation	3,282,168	-	-	2,108	75,334	-	3,359,610
(Reversal of impairment loss)/ impairment loss on trade receivables, net	(2,127)	(8,195)	(162)	2,004	218	-	(8,262)
Impairment loss on other receivables, net	-	-	-	-	-	10,429	10,429
Reversal of impairment loss on contract assets, net	-	636	-	-	-	-	636
Impairment loss on construction in progress, net	946	-	-	-	-	-	946
Loss on disposal of property, plant and equipment	23,810	-	-	-	-	-	23,810
Gain on termination of right-of-use assets	(9,473)	-	-	-	-	-	(9,473)

For the year ended 31st December, 2021

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Comprehensive services <i>HK\$'000</i> restated	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i> restated
<i>Revenue</i>						
External sales	61,324,854	11,976,401	2,235,045	606,074	3,499,656	79,642,030
<i>Results</i>						
Segment results	6,454,151	5,078,986	719,252	84,437	581,352	12,918,178
Share of results of joint ventures						702,351
Share of results of associates						388,572
Finance costs (other than interest on lease liabilities)						(367,966)
Unallocated income						820,649
Unallocated expenses						(3,278,067)
Profit before taxation						11,183,717

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

For the year ended 31st December, 2021 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Comprehensive services <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
	restated	restated	restated			restated
ASSETS						
Segment assets	56,314,132	5,845,281	306,115	157,170	2,284,979	64,907,677
Interests in joint ventures						12,991,745
Interests in associates						7,692,448
Deferred tax assets						463,247
Unallocated corporate assets (<i>Note a</i>)						20,081,191
						<u>106,136,308</u>
LIABILITIES						
Segment liabilities	5,868,656	17,146,874	298,160	1,902,116	118,140	25,333,946
Taxation payable						969,296
Deferred tax liabilities						1,317,209
Unallocated corporate liabilities (<i>Note b</i>)						24,478,195
						<u>52,098,646</u>

4. REVENUE AND SEGMENT INFORMATION – CONTINUED

For the year ended 31st December, 2021 – continued

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>	Comprehensive services <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	restated		restated				
Additions to non-current assets	6,206,151	-	-	9,237	94,755	2,228	6,312,371
Depreciation and amortisation	2,558,543	-	-	519	109,760	-	2,668,822
(Reversal of impairment loss)/ impairment loss on trade receivables, net	13,850	221	177	(1,537)	(48)	-	12,663
Impairment loss on other receivables, net	-	-	-	-	-	(790)	(790)
Impairment loss on contract assets, net	-	(552)	-	-	-	-	(552)
Impairment loss on construction in progress, net	2,730	-	-	-	-	-	2,730
Loss on disposal of property, plant and equipment	27,952	-	-	-	-	-	27,952
Gain on termination of right-of-use assets	(2)	-	-	-	-	-	(2)
	<u>6,220,953</u>	<u>(331)</u>	<u>177</u>	<u>8,702</u>	<u>94,707</u>	<u>1,438</u>	<u>6,325,236</u>

Notes:

- 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 and restricted cash, other deposits and bank balances and cash.
- 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
PRC	81,236,351	74,939,169
Hong Kong	7,598	3,615
	<u>81,243,949</u>	<u>74,942,784</u>

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

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Other income included:		
Integrated energy services	122,179	114,179
Government grants	128,715	72,800
Interest income from bank deposits	59,757	26,669
Interest income from other deposits (<i>Note</i>)	67,824	212,270
Dividend income from equity investments designated at fair value through other comprehensive income	1,748	2,647
Interest income from deposits placed with a fellow subsidiary	18,385	21,351
Interest income from a loan to fellow subsidiaries	47,493	63,572
Interest income from joint ventures	47,411	1,518
Interest income from associates	1,920	3,941
Rental income from operating leases	41,859	41,910
Gain on deemed disposal of joint ventures	6,755	95,393
Gain on deemed disposal of associates	–	34,356
Gain on disposal of a subsidiary	–	25,074
Gain on disposal of property, plant and equipment	43,603	14,600
Others	182,922	163,169
	770,571	893,449

Note: At 31st December, 2022, interest income from other deposits consisted of interest income from principal protected deposits and bank financing products denominated in RMB issued by banks in the PRC.

6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs		
Directors' emoluments	11,906	17,659
Other staff		
– Salaries and bonus	3,765,846	3,721,131
– Other benefits	1,078,079	1,007,107
– Retirement benefit scheme contributions	946,058	976,731
Total staff costs	5,801,889	5,722,628
Auditor's remuneration	16,248	14,579
Depreciation and impairment of property, plant and equipment	2,970,836	2,392,713
Depreciation of investment properties	5,018	4,697
Depreciation of right-of-use assets	269,777	194,784
Amortisation of operating rights (included in administrative expenses)	113,979	76,628
Impairment of financial and contract assets, net		
– (Reversal of impairment)/Impairment of trade receivables, net	(8,262)	12,663
– Impairment/(Reversal of impairment) of other receivables, net	10,429	(790)
– Impairment/(Reversal of impairment) of contract assets, net	636	(552)
Impairment of construction in progress	946	2,730
Loss on disposal of property, plant and equipment	23,810	27,952
Gain on termination of right-of-use assets	(9,473)	(2)
Lease payments not included in the measurement of lease liabilities	84,420	104,330

7. TAXATION

	2022 HK\$'000	2021 HK\$'000
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax, withholding tax for distributable profits and intergroup restructuring of investments in the PRC	2,082,352	2,962,557
Underprovision in prior years	34,911	41,523
	2,117,263	3,004,080
Deferred taxation	189,774	(260,195)
	2,307,037	2,743,885

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during 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 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 enterprises 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

	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distribution during the year:		
2022 interim dividend – 15 HK cents per share (2021: 2021 interim dividend – 15 HK cents per share)	340,232	340,232
2021 final dividend – 112 HK cents per share (2021: 2020 final dividend – 78 HK cents per share)	2,540,401	1,769,208
	2,880,633	2,109,440

The directors recommend the payment of a final dividend of 90 HK cents (2021: 112 HK cents) per share for the year ended 31st December, 2022 in an aggregate amount of HK\$2,041,394,000 (2021: HK\$2,540,401,000).

9. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	4,733,455	6,395,368
	2022	2021
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	2,268,215,487	2,268,215,487

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

10. TRADE AND OTHER RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	9,677,224	6,841,770
91 to 180 days	398,498	297,500
181 to 365 days	283,526	368,450
Over 365 days	140,725	148,515
	10,499,973	7,656,235

11. TRADE AND OTHER PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	7,883,213	7,002,328
91 – 180 days	750,875	547,169
181 – 365 days	697,810	347,285
Over 365 days	945,692	555,442
	10,277,590	8,452,224

The credit periods on purchases of goods range from 7 to 180 days.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2022 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 2022, in the midst of the complicated and grave world situation with the emergence of the impacts of geopolitical conflicts, elevated inflation, and multiple events beyond expectation, the operating environment of all walks of life has experienced significant challenges. Despite this, the Group continued its pursuit of the spirit of excellence to constantly optimize its operating management initiatives. During the year, the Group actively implemented its annual operational and management theme of "benchmarking, enhancing safety and promoting development", proactively responding to the complicated and grave situation of gas sources, constantly improving its capability to coordinate and secure gas sources, focusing on developing integrated service and steadily advancing integrated energy, and carrying out comprehensive and in-depth regional safety inspections to eliminate safety hazards. The Group is committed to constantly expanding and consolidating its core advantages and brand presence in the city gas market of large cities and developed regions. During the period, the Group recorded a gas sales volume of 35.89 billion cubic meters representing a year-on-year increase of 5.3%, a turnover of HK\$94.34 billion representing a year-on-year increase of 18.5%, a profit after tax of HK\$6.31 billion representing a year-on-year decrease of 25.3%, and a profit attributable to owners of HK\$4.73 billion representing a year-on-year decrease of 26.0%. It was proposed to distribute a final dividend of 90 HK cents, with a total dividend of 105 HK cents for the year, representing a dividend payout ratio of 50.0%.

SALE OF NATURAL GAS

In 2022, the national apparent consumption of natural gas reached 366.3 billion cubic meters, representing a decrease of 1.7% as compared with the corresponding period of last year. The increase in procurement costs suppressed the demand growth to a certain extent. In terms of gas consumption by industry, there was a steady increase in urban residential gas consumption, a small increase in chemical and fertilizer gas consumption, a decline in commercial gas consumption due to the impact of the Covid-19 pandemic, and a significant drop in the growth in industrial and power generation gas consumption. The Group tightly grasped the opportunity in market consolidation, made every effort to expand its customer base, actively promoted the development of key industries in the region, focused on small and micro business development, comprehensively promoted the “bottled-to-piped-gas conversion” reform, and realized growth in sales volume of natural gas.

During the year, the Group sold 35.889 billion cubic meters of natural gas, of which industrial gas sales recorded 18.762 billion cubic meters, an increase of 3.0%, accounting for 52.3% of the Group’s gas sales; commercial gas sales recorded 7.533 billion cubic meters, an increase of 10.0%, accounting for 21.0% of the Group’s gas sales; and residential gas sales increased by 11.0% to 8.497 billion cubic meters, accounting for 23.7% of the Group’s gas sales.

DEVELOPMENT OF NEW USERS

By the end of 2022, the proportion of permanent urban residents across the country increased to 65.2% from 64.7% last year. With the construction and expansion of major strategic areas, core cities, and city clusters, the core cities will see continuous expansion in geographical coverage amid greater population inflows. With the promulgation of the Guidance on Integrated Residential Community Construction by the General Office of the Ministry of Housing and Urban-Rural Development of the PRC, there is an opportunity for developing users in urban old residential communities. On the back of its relatively large number of large-scale city gas projects, most of which are in major national strategic areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta region, Chengdu-Chongqing Two Cities Economic Zone, and Guangdong-Hong Kong-Macao Greater Bay Area, the Group has room for relatively stable development of the user market.

The Group continues to focus on the development of urban natural gas users, vigorously assists local governments in pollution prevention and control, prudently develops rural “coal-to-gas conversion” users around its projects, and optimizes the energy structure by replacing bulk coal. The Group had 43,300 new industrial and commercial users and 4,077,000 new residential users connected during the year, including the connection to 3,559,000 new houses users, 433,000 old houses users, and 85,000 rural “coal-to-gas conversion” users.

Benefit from the constant merger and acquisition by the Group and the expansion of more operation areas by the project companies of the Group, during the year, the average gas penetration rate of city gas projects operated by the Group in China increased from 55.0% at the end of 2021 to 58.2%.

EXPANSION OF NEW PROJECTS

The Group continues to focus on the core business development of city gas by leveraging on its reputable corporate brand image, strong market development capabilities, and outstanding operation capabilities. In 2022, 3 projects were signed and 18 projects were registered at Group and project levels. 13,000 km² of new concession areas of 19 projects located in four major strategic areas in China were recorded with a GDP of RMB2,800 billion and a potential gas sales volume of 6.14 billion m³.

As of 31 December 2022, the number of registered city gas projects at the Group level reached 273, spanning across 25 provinces, including 3 direct administrative municipalities, 15 provincial capital cities, and 76 prefecture-level cities. The ever-expanding operational regions and prime geographic locations of the projects have laid a solid foundation for the sustained and rapid growth of the Group's core business.

COMPREHENSIVE SERVICE BUSINESS

As of 2022, the Company had 53.925 million residential users, 405,463 commercial users, and 36,819 industrial users. Relying on its large and high-quality customers resources combined with its expertise and technological advantages in gas safety, the Group focuses on providing the customers with high-quality integrated service products and services and continuously enhancing the safety protection of the customers and user experience. The Group has established an intelligent operation system based on security guarantee and built an intelligent terminal for kitchen electrical appliances. Leveraging on the Internet of Things technology and the cloud computing platform, the Group offers one-stop solutions with "safety + quality", thus increasing the customers' loyalty and winning the trust of customers.

The Group adhered to its philosophy of providing customers with high-quality and safer services and built a convenient service system with grid management to carry out comprehensive service business operations with light assets.

During the year, the revenue from the comprehensive services business on a statutory basis reached HK\$3.185 billion, representing a year-on-year increase of 42.5%, of which turnover of gas appliances reached HK\$1.149 billion, representing a year-on-year increase of 49.56%; turnover of gas insurance business reached HK\$0.592 billion, representing a year-on-year increase of 22.31%; turnover of relocation business reached HK\$1.444 billion, representing a year-on-year increase of 46.96% respectively. The penetration rate of the Group's comprehensive service business is still at a low level. The Group believes that through continuously vigorous promotion, the comprehensive service business will step into a stage of rapid development in the future and become an important part of the Group's business.

COMPREHENSIVE ENERGY BUSINESS DEVELOPMENT

In 2022, the Group strictly followed the development trends of green and low-carbon energy technologies. Relying on its significant market and customer resources advantages, the Group continuously explored the operation model of the comprehensive energy business, and steadily promoted the expansion of comprehensive energy projects to meet the diversified energy demand of customers. During the year, the Group newly signed 58 projects, with an estimated total investment of approximately HK\$440 million in a total of 202 projects.

The Group also actively expanded the clean transportation energy market. During the year, 39 charging stations were newly put into operation, resulting in the total number of 171 charging stations putting into operation; the sale of electricity throughout the year increased by 20.6% to 270 million kWh as compared with the same period of last year; 7 hydrogen refueling stations were put into operation, bringing the total number of hydrogen refueling stations that had been approved for construction and operation to 15, spanning across Weifang, Xiangyang, Wuxi, Baicheng, Wuhan, Taizhou, etc.

SUSTAINABLE DEVELOPMENT

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

The Group also attaches great importance to environmental, social and governance (ESG) management, and has established an ESG working group under the leadership of the Board with the participation of all departments of the Group to promote the full implementation of the ESG sustainable development management system. With the efforts of all employees and effective management, in 2022, the Group's carbon dioxide emission per RMB10,000 production value (comparables) reduced by 32.2% in terms of tons, and comprehensive energy consumption per RMB10,000 revenue (comparables) reduced by 23.6% in terms of tons of standard coal. We also continue to engage consulting firms to provide professional advice on the Group's ESG management system, policies, data disclosure, performance, and practice, and strive to further improve the Group's ESG performance. The Group believes that these measures in place will promote the Group's sustainable development and contribute to the construction of a better ecological environment.

In 2022, the Group organized members of the Board and management to conduct anti-corruption and environmental protection training by carrying out an in-depth study to strengthen the culture of integrity and awareness of environmental protection. During the year, the Group was awarded the Environmental, Health and Safety Gold Award under the Hong Kong Green Awards 2022. During the year, MSCI maintained the Group's ESG rating at A. The Group will obtain recognition and affirmation from all walks of life through pragmatic and accountable ESG quality management measures, integrating the national dual goals of "peak carbon dioxide emissions target by 2030 and reach carbon neutrality by 2060" into daily operational management to achieve substantive business development.

FINANCIAL INFORMATION

The Group achieved a turnover of HK\$94.338 billion in 2022, representing a year-on-year increase of 18.5%. Overall gross profit margin of the Group was 19.2%, representing a decrease of 4.9ppt compared with that of last year. The decrease in overall gross profit margin was mainly due to the decrease in the gross profit margin of sale, distribution of gas fuel, related products and gas filling stations businesses, the increase in the share of revenue to operating revenue from 81.4% last year to 83.2% in 2022, and the decrease in the share of revenue from gas connection with higher gross profit margin from 15.0% last year to 12.9%. The Group believes that revenue structure will continue to be optimized in the future, and the Group is optimistic that it will maintain high quality and sustainable development in the future.

The Group has been adopting prudent financial resources management policies to keep borrowings and capital expenditure at a sound level. In 2022, the Group's operating cash flow achieved HK\$4.351 billion, representing a year-on-year decrease of 48.14%. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future.

Given the Group's sustained in performance, Moody's, Standard & Poor's and Fitch maintained the credit rating of the Group at A2, A- and A- in 2022. The ratings reflect the Group's development strategy of focusing on its core business comprehensive services and comprehensive energy and its financial performance for current period has been widely recognised by the market, which will further reduce the finance costs to be incurred by the Group in its potential financing activities, and provide sufficient financial resources for the long-term healthy development of the Group.

DEVELOPMENT PROSPECT

In 2022, in the face of a complicated and grave business environment, the national apparent consumption of natural gas reached 366.3 billion cubic meters, representing a decrease of 1.7% compared with the corresponding period of last year. With the adjustment of the epidemic prevention and control policy in December 2022, and the positive setting of macroeconomic policies at the Central Economic Work Conference, the monetary, fiscal, real estate, industrial, and other policies will successively implement in 2023, and the market sentiment will improve. The domestic demand will expand gradually in line with the recovery of consumption, economic growth will recover steadily, and the operation and development of city gas enterprises will continue to have a promising development prospect.

In 2023, the Group will strive to improve its capability to coordinate gas sources, optimize price management and stabilize the fundamentals of the development of its principal business; actively focus on the goal of transforming into a low-carbon energy business, accelerate business transformation and upgrade, continue to improve the penetration rate of the integrated service business, selectively upsize the integrated energy business, strengthen its drive for energy innovation and explore new drivers for business growth; further reduce costs and increase efficiency, consolidate its line of defense for safe operation, facilitate steady growth in results, constantly improve shareholders' return and promote the sustainable development of the Group.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of the 2022 Final Dividend of 90 HK cents per share. Together with the interim dividend of 15 HK cents per share paid, total distribution for 2022 would thus be 105 HK cents per share (2021: 127 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the 2022 Final Dividend will be payable on Tuesday, 18 July 2023 to shareholders whose names appear on the register of members of the Company on Friday, 2 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, 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 Thursday, 25 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 19 May 2023.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 2 June 2023 and the register of members of the Company will be closed from Thursday, 1 June 2023 to Friday, 2 June 2023, both days inclusive, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2023.

SHAREHOLDERS' OPTION

The 2022 Final Dividend will be payable in cash to each shareholder in Hong Kong Dollars (“HK\$”) unless an election is made to receive the same in Renminbi (“RMB”). Shareholders will be given the option to elect to receive all or part of the 2022 Final Dividend in RMB at the exchange rate of HK\$1.0: RMB0.876058, being the average median exchange rate of HK\$ to RMB as published by the People’s Bank of China during the five business days immediately before 31 March 2023 (inclusive of the date of this announcement). If shareholders elect to receive the 2022 Final Dividend in RMB, such dividend will be paid to shareholders at RMB0.7884522 per share. To make such election, shareholders should complete the dividend currency election form which is expected to be dispatched to shareholders on Friday, 9 June 2023 as soon as practicable after the record date of Friday, 2 June 2023 to determine shareholders’ entitlement to the 2022 Final Dividend, and lodge it to branch share registrar of the Company, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 27 June 2023. Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honored for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Tuesday, 18 July 2023 at the shareholders’ own risk.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities for the period ended 31 December 2022.

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

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

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the Code during the 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 its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code throughout the year.

EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred subsequent to the reporting date which had significantly affected, or may significantly affect the Group's operations, results or state of affairs.

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
WANG Chuandong
Chairman

Hong Kong, 31 March 2023

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