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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

CR Gas recorded a robust in interim results with increases of 22% in gross gas sales volume and 8% in net profit attributable to equity shareholders to HK\$2,114 million.

	1st Half 2017	1st Half 2016	Increase/ (decrease)
Turnover (HK\$ million)	17,695	15,413	15%
Profit attributable to equity shareholders (HK\$ million)	2,114	1,957	8%
Basic earnings per share (HK cents)	97	90	8%
Gross gas sales volume (million m³)	10,071	8,273	22%
Accumulated total connected customers (million)	28.97	24.98	16%

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2017 with comparative figures for 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	NOTES	Six months ended 30th June,	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	17,694,671	15,412,818
Cost of sales		(11,994,904)	(9,941,776)
Gross profit		5,699,767	5,471,042
Other income		211,016	266,596
Selling and distribution expenses		(1,595,222)	(1,576,811)
Administrative expenses		(1,079,145)	(1,008,750)
Finance costs		(248,001)	(237,513)
Share of results of joint ventures		510,192	388,548
Share of results of associates		54,004	56,307
Profit before taxation		3,552,611	3,359,419
Taxation	5	(791,747)	(754,193)
Profit for the period	6	2,760,864	2,605,226
Other comprehensive income (expense) for the period			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		839,522	–
<i>Item that will not be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation to presentation currency		–	(1,020,355)
Total comprehensive income for the period		3,600,386	1,584,871
Profit for the period attributable to:			
Owners of the Company		2,114,477	1,956,984
Non-controlling interests		646,387	648,242
		2,760,864	2,605,226
Total comprehensive income for the period attributable to:			
Owners of the Company		2,860,812	1,195,597
Non-controlling interests		739,574	389,274
		3,600,386	1,584,871
		HK\$ (unaudited)	HK\$ (unaudited)
Earnings per share – Basic	8	0.97	0.90

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2017

	<i>NOTES</i>	At 30th June, 2017 <i>HK\$'000</i> (unaudited)	At 31st December, 2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	9	25,461,691	24,058,871
Prepaid lease payments		1,585,497	1,522,489
Investment properties		41,425	41,640
Interests in joint ventures		10,099,026	9,028,797
Interests in associates		1,900,819	1,863,017
Available-for-sale investments		68,205	63,983
Goodwill		652,688	633,286
Operating rights		1,239,013	1,246,839
Deferred tax assets		211,540	209,637
Deposits for operating rights		4,293	1,859
Deposits for prepaid lease payments		91,199	74,757
Deposits for property, plant and equipment		358,484	274,443
Deposits for an investment		–	684,732
		<u>41,713,880</u>	<u>39,704,350</u>
Current assets			
Inventories		812,878	413,426
Trade and other receivables	10	7,283,085	8,020,647
Amounts due from customers for contract work		2,499,733	1,881,976
Loan to a fellow subsidiary	11	1,728,270	–
Prepaid lease payments		86,748	82,837
Pledged bank deposits		89,237	46,581
Other deposits		–	4,024,548
Bank balances and cash		9,525,965	5,500,753
		<u>22,025,916</u>	<u>19,970,768</u>
Current liabilities			
Trade and other payables	12	10,457,808	10,574,023
Amounts due to customers for contract work		12,199,864	11,162,862
Government grants		49,553	44,782
Bank and other borrowings		4,833,202	3,139,480
Taxation payable		294,298	495,191
		<u>27,834,725</u>	<u>25,416,338</u>
Net current liabilities		<u>(5,808,809)</u>	<u>(5,445,570)</u>
		<u>35,905,071</u>	<u>34,258,780</u>

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000
Capital and reserves		
Share capital	222,401	222,401
Reserves	19,753,189	17,545,842
	<hr/>	<hr/>
Equity attributable to owners of the Company	19,975,590	17,768,243
Non-controlling interests	6,656,116	5,936,550
	<hr/>	<hr/>
	26,631,706	23,704,793
	<hr/>	<hr/>
Non-current liabilities		
Government grants	147,648	133,548
Bank and other borrowings	2,024,822	3,301,844
Senior notes	5,771,077	5,726,370
Other long-term liabilities	138,789	187,743
Deferred tax liabilities	1,191,029	1,204,482
	<hr/>	<hr/>
	9,273,365	10,553,987
	<hr/>	<hr/>
	35,905,071	34,258,780
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

1. GENERAL

The Company is a listed public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s intermediate parent company is China Resources (Holdings) Company Limited, a company incorporated in Hong Kong and its ultimate holding company is China Resources National Corporation, a company established in the People’s Republic of China (the “PRC”) which is owned and controlled by the PRC government.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$5,808,809,000, and the Group had capital commitment of HK\$87,777,000 as at 30th June, 2017. As at 30th June, 2017, the Group had bank and other borrowings totalling HK\$6,858,024,000 of which HK\$4,833,202,000 was classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group’s ability on renewing the borrowing facilities.

The directors of the Company are of the opinion that, taking into account of the internally generated funds of the Group and the other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 30th June, 2017. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in the Group's condensed consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ending 31 December 2017.

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) Gas stations – sale of gas fuel in natural gas filling stations
- (iv) Design and construction services – design, constitution, consultancy and management for gas connection projects
- (v) Sales of gas appliances – sale of gas appliances and related products

During the six months ended 30th June, 2016, the chief operating decision maker assessed the Group's businesses by four operating segments: sale and distribution of gas fuel and related products; gas connection; design and construction services; and sale of gas appliances. In the second half of 2016, an additional operating segment: gas stations was identified. This new segment reporting is used by management to analyse its business performance.

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

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

Six months ended 30th June, 2017

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Sales of gas appliances <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – external customers	<u>12,546,800</u>	<u>3,162,067</u>	<u>1,553,867</u>	<u>336,803</u>	<u>95,134</u>	<u>17,694,671</u>
Segment results	<u>1,684,147</u>	<u>1,553,022</u>	<u>259,138</u>	<u>69,648</u>	<u>9,640</u>	<u>3,575,595</u>
Share of results of joint ventures						510,192
Share of results of associates						54,004
Unallocated income						157,914
Unallocated expenses						(497,093)
Finance costs						(248,001)
Profit before taxation						<u>3,552,611</u>

Six months ended 30th June, 2016 (restated)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Sales of gas appliances <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue – external customers	<u>10,354,378</u>	<u>3,066,743</u>	<u>1,467,530</u>	<u>413,785</u>	<u>110,382</u>	<u>15,412,818</u>
Segment results	<u>1,528,388</u>	<u>1,465,382</u>	<u>258,294</u>	<u>57,278</u>	<u>12,361</u>	<u>3,321,703</u>
Share of results of joint ventures						388,548
Share of results of associates						56,307
Unallocated income						197,992
Unallocated expenses						(367,618)
Finance costs						(237,513)
Profit before taxation						<u>3,359,419</u>

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

	At 30th June, 2017 <i>HK\$'000</i>	At 31st December, 2016 <i>HK\$'000</i>
Segment assets:		
Sale and distribution of gas fuel and related products	29,719,561	29,148,862
Gas connection	4,064,564	3,259,320
Gas stations	2,102,955	1,679,770
Design and construction services	225,059	477,299
Sales of gas appliances	104,130	79,805
	<u>36,216,269</u>	34,645,056
Interests in joint ventures	10,099,026	9,028,797
Interests in associates	1,900,819	1,863,017
Deferred tax assets	211,540	209,637
Unallocated corporate assets (<i>Note a</i>)	15,312,142	13,928,611
	<u>63,739,796</u>	<u>59,675,118</u>
Segment liabilities:		
Sale and distribution of gas fuel and related products	3,159,751	2,826,367
Gas connection	13,638,698	12,599,333
Gas stations	116,440	226,987
Design and construction services	646,122	782,892
Sales of gas appliances	59,436	62,446
	<u>17,620,447</u>	16,498,025
Taxation payable	294,298	495,191
Deferred tax liabilities	1,191,029	1,204,482
Unallocated corporate liabilities (<i>Note b</i>)	18,002,316	17,772,627
	<u>37,108,090</u>	<u>35,970,325</u>

Notes:

- a. Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries, investment properties, deposits for an investment, available-for-sale investments, other receivables, loan to a fellow subsidiary, pledged bank deposits, other deposits and bank balances and cash.
- b. Unallocated corporate liabilities represent other payables, accrued expenses, 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.

5. TAXATION

	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	795,477	757,567
Deferred taxation	(3,730)	(3,374)
	791,747	754,193

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th June, 2016: 16.5%) on the estimated assessable profits for the six months ended 30th June, 2017. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and subsidiaries operating in Hong Kong had no assessable profits for both periods.

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

6. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	549,487	529,697
Depreciation of investment properties	1,444	1,312
Amortisation of operating rights (included in administrative expenses)	36,484	32,262
Release of prepaid lease payments	41,363	38,332
Loss on disposal of property, plant and equipment	2,212	3,330
Interests on:		
Senior notes	138,249	139,053
Bank and other borrowings	103,650	88,080
Amounts due to joint ventures	5,091	9,378
Other long-term liabilities	1,011	1,002
	248,001	237,513

Six months ended 30th June,

	2017	2016
	HK\$'000	HK\$'000

and after crediting:

Gain on disposal of prepaid lease payments	365	–
Interest income from bank and other deposits	80,078	97,813
Interest income from deposits placed in a fellow subsidiary	4,642	10,397
Interest income from joint ventures	1,771	1,894
Interest income from loan to a fellow subsidiary	7,106	–
Net reversal of impairment loss recognised on trade receivables	51,006	–
	<u>51,006</u>	<u>–</u>

7. DIVIDENDS

During the six months ended 30th June, 2017, a dividend of 30 HK cents per share (six months ended 30th June, 2016: 23 HK cents per share), totalling HK\$653,465,000 (2016: HK\$500,468,000), was paid by the Company to its shareholders as the final dividend for the year ended 31st December, 2016 (2016: 31st December, 2015).

On 18th August 2017, the directors declared an interim dividend in respect of the current interim period of 15 HK cents per share amounting to HK\$333,602,000 in aggregate (six months ended 30th June, 2016: 15 HK cents per share amounting to HK\$333,602,000 in aggregate) that will be paid to shareholders whose names appear on the register of members of the Company on 20th September 2017.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$2,114,477,000 (six months ended 30th June, 2016: HK\$1,956,984,000) and on 2,178,215,487 (six months ended 30th June, 2016: 2,175,949,487) weighted average number of shares in issue less shares held for incentive award scheme for the six months ended 30th June, 2017.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2017, the Group incurred total costs of HK\$453,066,000 and HK\$470,422,000 (six months ended 30th June, 2016: HK\$413,061,000 and HK\$747,608,000) on additions of gas pipelines and construction in progress, respectively.

10. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 to 90 days to its customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, and is presented based on the invoice date, which approximated the revenue recognition date.

	At 30th June, 2017 <i>HK\$'000</i>	At 31st December, 2016 <i>HK\$'000</i>
0 – 90 days	3,100,553	3,737,008
91 – 180 days	420,779	430,682
180 – 365 days	220,925	238,399
Over 365 days	47,800	48,184
	<u>3,790,057</u>	<u>4,454,273</u>

11. LOAN TO A FELLOW SUBSIDIARY

As at 30th June, 2017, the loan to a fellow subsidiary amounting to RMB1,500,000,000 (approximately HK\$1,728,270,000) is unsecured, interest bearing at 3.92% per annum and repayable within one year (31st December, 2016: nil).

12. TRADE AND OTHER PAYABLES

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

	At 30th June, 2017 <i>HK\$'000</i>	At 31st December, 2016 <i>HK\$'000</i>
0 – 90 days	3,263,119	3,274,005
91 – 180 days	498,762	453,687
180 – 365 days	660,405	606,642
Over 365 days	662,307	634,756
	<u>5,084,593</u>	<u>4,969,090</u>

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

REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30th June, 2017 are unaudited and have been reviewed by the Company's auditor and the Company's Audit and Risk Management Committee. The auditor's report on review of condensed consolidated financial statements is contained in the interim report to be dispatched to shareholders.

RESULTS AND BUSINESS REVIEW

Results

In 2017, on the back of China's stable yet improving macro economy and environmental friendly policies as well as natural gas policies such as the "coal-to-gas conversion" policy, China's natural gas production and import increased by 10.1% and 17.9% respectively and natural gas consumption increased by 15.2% in the first half of the year, and natural gas consumption witnessed a double-digit growth again since 2014.

On 4th July, 2017, 13 central authorities including the National Development and Reform Commission (the "NDRC") jointly issued the Opinions on Accelerating the Use of Natural Gas, clearly putting forward the targets of: gradually developing natural gas into one of the major types of energy in China's modern clean energy system, striving to attain a proportion of approximately 10% of natural gas in the primary energy consumption structure by 2020, and striving to increase the proportion of natural gas in the primary energy consumption structure to approximately 15% by 2030.

For the six months ended 30th June, 2017, the Company registered a gross gas volume of 10.07 billion cubic meters, 21.7% increase over the previous corresponding period. This is better than the industry's gas demand growth rate of 15.2% for the same period. The turnover of the Company registered an increase of 14.8% from HK\$15.41 billion to HK\$17.70 billion and the Group recorded profit attributable to the Company's equity holders of HK\$2,114 million, an increase of 8% over the HK\$1,957 million of the previous corresponding period.

The increase in profit was mainly due to (i) 21.7% increase in gas sales volume as a result of the rapid growth in commercial/industrial gas consumption and (ii) increase in connection income due to 1.29 million new residential household connections.

Share of results of joint ventures increased by HK\$122 million mainly due to the turnaround achieved by Tianjin project compared to losses suffered in the last corresponding period.

Share of results of associates, which is mainly contributed by Chongqing project, is stable.

Increase in taxation expenses is in line with the increase in profit before taxation.

Continuous Enhancement of Operational Efficiencies

The Group continues to intensively execute its company-wide “Lean Management” and “Benchmarking & Growth” measures to enhance its operational and financial efficiencies continuously. It constantly seeks for improvements in various areas such as speed up of signing new customers, customer service, project tendering, safety standards, gas leakages control, centralised cash management, centralised procurement, tax management, etc. The ongoing organic enhancement of existing city gas distribution operations and the external acquisition of new city gas businesses will continue to deliver stable cash flow as well as excellent growth opportunity for the enhancement of the Company’s shareholders’ value in the foreseeable future.

PROSPECTS AND OUTLOOK

NDRC has announced that gas will account for 10% and 15% of the energy sources in China by 2020 and 2030 respectively, up from the current 5.6% level. The Group is confident that the PRC Government’s long-term strategic vision of heavily promoting the use of natural gas to diversify its energy sources and combat pollution remains unchanged. All relevant policies and measures will be constantly fine-tuned by NDRC to achieve this goal. This will continue to boost the demand and availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China.

The above factors argue well for the natural gas industry in China and offer significant opportunity for the continuous growth of the Group in the foreseeable future.

The Group completed the Qingdao Project at the end of June 2017. As at 2016, Qingdao Company had connected more than 1.15 million residential customers with a pipeline network spanning 4,094 km and an annual gas sales volume of 385 million cubic metres. The Qingdao Project will make a direct contribution to corporate profit upon completion and its gas sales volume is expected to exceed 8 billion cubic metres by 2020, becoming one of our best gas projects.

The Group has embarked on various operational enhancement measures to boost the quality of its organic growth starting with “Lean Management” practice in 2012 and “Benchmarking for Efficiency” measure in 2013. The Group continues in 2017 to focus intensely on various Benchmarking measures to improve internal operation efficiencies relentlessly.

Leveraging the above-mentioned factors, the Group will continue to grow steadily during the second half of the year and beyond. The Group will ride on the continuing favourable industry fundamentals and its experienced management team with strong execution record to scale new heights via quality organic growth and external acquisitions.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Investments

As at 30th June, 2017, the Group made new investments of approximately HK\$120 million in 6 city gas projects in Yunnan, Sichuan and Anhui Provinces.

A further 15 projects of HK\$398 million have been announced or approved by the Board up to 16th August, 2017.

The acquisitions will add to the Company's existing footprint in these provinces and create further cluster synergy with existing city gas projects in terms of centralized procurement, pipeline design & construction and management efficiency.

INTERIM DIVIDEND

The Directors have resolved to declare the payment of an interim dividend of 15 HK cents per share for the six months ended 30th June, 2017 (six months ended 30th June, 2016: 15 HK cents per share), payable on 27th October, 2017 to shareholders whose names appear on the register of members of the Company on 20th September, 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13th September, 2017 to 20th September, 2017, both days inclusive. In order to qualify for the proposed interim dividend payment, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12th September, 2017.

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 period ended 30th June, 2017.

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 and 2016 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. During the six months ended 30th June, 2017, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provisions D.1.4 which is explained as follows:

Under the code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the 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 six months ended 30th June, 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

INTERIM REPORT

The 2017 Interim Report will be dispatched to shareholders and published on the Stock Exchange's designated website (www.hkexnews.hk) and the Company's website (www.crgas.com.hk) in due course.

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

Hong Kong, 18th August, 2017

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