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, 2018

CR Gas recorded robust interim results with increases of 22.9% in gross gas sales volume to 12.375 billion cubic meters, 25.3% in net profit attributable to equity shareholders to HK$2,648 million and 32.1% in net operating cash flow to HK$4,071 million.

	1st Half 2018	1st Half 2017	Increase/ (decrease)
Turnover (HK$ million)	**23,847**	17,695	34.8%
Profit attributable to equity shareholders of the Company (HK$ million)	**2,648**	2,114	25.3%
Basic earnings per share (HK$)	**1.22**	0.97	25.8%
Net operating cash flow (HK$ million)	**4,071**	3,081	32.1%
Gross gas sales volume (million m^3)	**12,375**	10,071	22.9%
Accumulated total connected customers (million)	**32.52**	28.97	12.3%

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, 2018 (the "Period") with comparative figures for 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

		Six months ended 30th June,	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**23,846,503**	17,694,671
Cost of sales		**(17,104,638)**	(11,994,904)
Gross profit		**6,741,865**	5,699,767
Other income		**380,540**	211,016
Selling and distribution expenses		**(1,952,626)**	(1,595,222)
Administrative expenses		**(1,165,478)**	(1,079,145)
Finance costs		**(210,743)**	(248,001)
Share of results of joint ventures		**358,771**	510,192
Share of results of associates		**195,881**	54,004
Profit before taxation		**4,348,210**	3,552,611
Taxation	*5*	**(951,352)**	(791,747)
Profit for the period	*6*	**3,396,858**	2,760,864
Other comprehensive income/(expense) for the period			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(173,136)**	839,522
Total comprehensive income for the period		**3,223,722**	3,600,386
Profit for the period attributable to:			
Owners of the Company		**2,647,744**	2,114,477
Non-controlling interests		**749,114**	646,387
		3,396,858	2,760,864
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,517,992**	2,860,812
Non-controlling interests		**705,730**	739,574
		3,223,722	3,600,386
		HK$	HK$
		(unaudited)	(unaudited)
Earnings per share – Basic and diluted	*8*	**1.22**	0.97

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2018

	NOTES	**At 30th June, 2018 HK$'000 (unaudited)**	At 31st December, 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**29,940,220**	28,608,288
Prepaid lease payments		**1,771,410**	1,714,508
Investment properties		**24,600**	46,151
Interests in joint ventures		**10,168,901**	10,818,388
Interests in associates		**3,228,256**	2,227,235
Available-for-sale investments		**–**	67,006
Equity instruments at fair value through other comprehensive income		**151,868**	–
Goodwill		**695,625**	677,681
Operating rights		**1,255,767**	1,258,813
Deferred tax assets		**256,251**	239,961
Deposits for operating rights		**7,089**	2,838
Deposits for prepaid lease payments		**68,352**	71,018
Deposits for property, plant and equipment		**396,938**	258,853
		47,965,277	45,990,740
Current assets			
Inventories		**1,140,560**	595,051
Trade and other receivables	*10*	**9,067,506**	9,462,556
Amounts due from customers for contract works		**3,307,950**	2,257,359
Prepaid lease payments		**88,809**	90,364
Pledged bank deposits		**11,847**	11,753
Bank balances and cash		**12,004,581**	10,355,981
		25,621,253	22,773,064
Current liabilities			
Trade and other payables	*11*	**14,427,190**	13,241,708
Amounts due to customers for contract works		**13,170,842**	12,808,001
Government grants		**45,037**	40,924
Bank and other borrowings		**6,248,928**	5,327,669
Taxation payable		**408,091**	592,670
		34,300,088	32,010,972
Net current liabilities		**(8,678,835)**	(9,237,908)
		39,286,442	36,752,832

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	At 30th June, 2018 *HK$'000* **(unaudited)**	At 31st December, 2017 *HK$'000* (audited)
Capital and reserves		
Share capital	**222,401**	222,401
Reserves	**23,505,858**	21,770,247
Equity attributable to owners of the Company	**23,728,259**	21,992,648
Non-controlling interests	**7,904,160**	7,176,677
	31,632,419	29,169,325
Non-current liabilities		
Government grants	**157,880**	162,887
Bank and other borrowings	**244,701**	251,516
Senior notes	**5,818,556**	5,787,534
Other long-term liabilities	**226,066**	159,358
Deferred tax liabilities	**1,206,820**	1,222,212
	7,654,023	7,583,507
	39,286,442	(36,752,832)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

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 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 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$8,678,835,000, and the Group has capital commitment of approximately HK$99,285,000 as at 30th June, 2018. As at 30th June, 2018, the Group has bank and other borrowings totalling approximately HK$6,493,629,000, of which approximately HK$6,248,928,000 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, 2018. 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 adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2017, except for the adoption of new standards effective as of 1st January, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the Period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are mandatorily effective for the Period.

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers and the related amendments*
HK(IFRIC) – Int 22	*Foreign currency transactions and advance consideration*
Amendments to HKFRS 2	*Classification and measurement of share-based payment transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from contracts with customers*
Amendments to HKAS 28	*Investments in associates and joint ventures clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
Amendments to HKAS 40	*Transfers of investment property*

The impact of the Group's application of the above new and amendments to HKFRSs is described below:

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The Group mainly engages in the businesses of gas sales and gas connection. The effects of the adoption of HKFRS 15 are further explained as follows:

(a) Accounting for sales of goods (including gas fuel, gas appliances and related products)

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

(b) Accounting for gas connection activities

In prior reporting periods, the Group accounted for gas connection activities when the outcome of the construction contract for connection can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from and expenses on construction contracts for gas connection are recognised using the percentage of completion method, measured by reference to the costs incurred during the year relative to the estimated total costs of the contract. When the outcome of a construction contract for gas connection cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

For the six months ended 30th June, 2018, the Group has concluded that the adoption of HKFRS 15 did not have a material impact on the timing of revenue recognition.

(c) Presentation and disclosure requirements

The Group's contract assets include amounts due from customers for contract works under HKFRS 15 and the Group's contract liabilities include amounts due to customers for contract works and receipts in advance under HKFRS 15.

As required in the condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 4 for the disclosure on disaggregated revenue.

The application of HKFRS 15 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments*: *Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss "FVPL", amortised cost, or fair value through other comprehensive income "FVOCI". The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are as follows:

Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, other receivables, amount due from joint ventures/associates and non-controlling shareholders.

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instruments were classified as available-for-sale investments and stated at cost.

The assessment of the Group's business model was made as of initial application, i.e. 1st January, 2018, and then applied retrospectively to those financial assets that were not derecognised as at 1st January, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not been changed from that required by HKAS 39.

The statement of financial position as at 1 January 2018 was adjusted, resulting in reclassification of available-for-sale investments to equity instruments at fair value through other comprehensive income amounting to HK$67,006,000 and an increase in other reserves and increase in equity instruments at FVOCI amounting to HK$88,915,000 due to the remeasurement of financial instruments.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss "ECL" approach.

The Group records an allowance for ECLs on financial assets which are subject to impairment under HKFRS 9, including all loans and other debt financial assets and contract assets.

For contract assets and trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other assets that are subject to impairment under HKFRS 9, the Group assessed for their impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

As a result of the adoption of HKFRS 9, certain comparative information in these condensed consolidated financial statements may not be comparable as it was prepared in accordance with HKAS 39.

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) Sales 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

During the six months ended 30th June, 2018, the chief operating decision maker assessed the Group's businesses by five operating segments: (i) sale and distribution of gas fuel and related products; (ii) gas connection; (iii) sale of gas appliances; (iv) design and construction services; and (v) gas stations.

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, 2018

	Sale and distribution of gas fuel and related products	**Gas connection**	**Sales of gas appliances**	**Design and construction services**	**Gas stations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue – external customers	**18,182,449**	**3,342,417**	**163,503**	**188,601**	**1,969,533**	**23,846,503**
Segment results	**2,604,512**	**1,728,361**	**20,916**	**32,268**	**484,758**	**4,870,815**
Share of results of joint ventures						**358,771**
Share of results of associates						**195,881**
Unallocated income						**281,799**
Unallocated expenses						**(1,148,313)**
Finance costs						**(210,743)**
Profit before taxation						**4,348,210**

Six months ended 30th June, 2017

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Sales of gas appliances *HK$'000*	Design and construction services *HK$'000*	Gas stations *HK$'000*	Total *HK$'000*
Segment revenue – external customers	12,546,800	3,162,067	95,134	336,803	1,553,867	17,694,671
Segment results	1,684,147	1,553,022	9,640	69,648	259,138	3,575,595
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						3,552,611

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

	At 30th June, 2018 ***HK$'000***	At 31st December, 2017 *HK$'000*
Segment assets:		
Sale and distribution of gas fuel and related products	**34,316,089**	33,578,867
Gas connection	**5,156,112**	3,555,009
Sales of gas appliances	**171,976**	201,180
Design and construction services	**839,826**	777,496
Gas stations	**2,124,928**	1,756,347
	42,608,931	39,868,899
Interests in joint ventures	**10,168,901**	10,818,388
Interests in associates	**3,228,256**	2,227,235
Deferred tax assets	**256,251**	239,961
Unallocated corporate assets *(Note a)*	**17,324,191**	15,609,321
	73,586,530	68,763,804
Segment liabilities:		
Sale and distribution of gas fuel and related products	**4,034,577**	4,017,057
Gas connection	**14,933,855**	14,327,499
Sales of gas appliances	**91,718**	74,330
Design and construction services	**1,076,017**	1,088,186
Gas stations	**272,591**	282,788
	20,408,758	19,789,860
Taxation payable	**408,091**	592,670
Deferred tax liabilities	**1,206,820**	1,222,212
Unallocated corporate liabilities *(Note b)*	**19,930,442**	17,989,737
	41,954,111	39,594,479

Notes:

a. Unallocated corporate assets represent investment properties, deposits for an investment, available-for-sale investments, equity instruments at fair value through other comprehensive income, other receivables, loan to a fellow subsidiary, pledged bank 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,	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**958,471**	795,477
Deferred taxation	**(7,119)**	(3,730)
	951,352	791,747

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30th June, 2017: 16.5%) on the estimated assessable profits for the six months ended 30th June, 2018. 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,	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**665,397**	549,487
Depreciation of investment properties	**792**	1,444
Amortisation of operating rights (included in administrative expenses)	**40,179**	36,484
Amortisation of prepaid lease payments	**22,550**	41,363
Loss on disposal of property, plant and equipment	**1,074**	2,212
Interests on:		
Senior notes	**137,383**	138,249
Bank and other borrowings	**67,499**	103,650
Amounts due to joint ventures	**4,527**	5,091
Other long-term liabilities	**1,334**	1,011
	210,743	248,001
and after crediting:		
Gain on disposal of prepaid lease payments	**–**	365
Interest income from bank and other deposits	**113,214**	80,078
Interest income from bank and other deposits placed in a fellow subsidiary	**31,368**	4,642
Interest income from joint ventures	**1,182**	1,771
Interest income from loan to a fellow subsidiary	**–**	7,106
Net reversal of impairment loss recognised on trade receivables	**1,958**	51,006

7. DIVIDENDS

During the six months ended 30th June, 2018, a dividend of 40 HK cents per share (six months ended 30th June, 2017: 30 HK cents per share), totalling HK$871,296,000 (2017: HK$653,465,000), was paid by the Company to its shareholders as the final dividend for the year ended 31st December, 2017 (2017: 31st December, 2016).

On 17th August, 2018, 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, 2017: 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 19th September, 2018.

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$2,647,744,000 (six months ended 30th June, 2017: HK$2,114,477,000) and on 2,178,215,487 (six months ended 30th June, 2017: 2,178,215,487) weighted average number of shares in issue less shares held for incentive award scheme for the six months ended 30th June, 2018.

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares in issue in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2018, the Group incurred a total cost of HK$157,702,000 and HK$2,217,971,000 (six months ended 30th June, 2017: HK$453,066,000 and HK$470,422,000) on additions of gas pipelines and construction in progress, respectively.

10. TRADE AND OTHER RECEIVABLES

	At 30th June, 2018	At 31st December, 2017
	HK$'000	*HK$'000*
Trade receivables	**4,094,577**	4,497,377
Less: Allowance for doubtful debts	**(158,366)**	(163,251)
	3,936,211	4,334,126
Amounts due from joint ventures *(Note a)*	**286,649**	424,784
Amounts due from associates *(Note b)*	**267,792**	–
Amounts due from non-controlling shareholders *(Note c)*	**372,885**	267,236
Deposits	**1,214,896**	1,491,478
Prepayments	**2,267,853**	2,240,202
Other receivables	**721,220**	704,730
	9,067,506	9,462,556

Notes:

a. Except for the amount due from a joint venture of HK$55,355,000 (31st December, 2017: HK$51,246,000) which is unsecured, bear variable interest ranging from 3.92% to 4.35% (31st December, 2017: 3.92% to 4.35%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

b. Amounts due from associates are unsecured, interest-free and repayable on demand.

c. Amounts due from non-controlling shareholders are unsecured, interest-free and repayable on demand.

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, 2018	At 31st December, 2017
	HK$'000	*HK$'000*
0 – 90 days	**3,425,710**	3,667,867
91 – 180 days	**311,872**	398,809
180 – 365 days	**162,162**	221,793
Over 365 days	**36,467**	45,657
	3,936,211	4,334,126

11. TRADE AND OTHER PAYABLES

	At 30th June, 2018	At 31st December, 2017
	HK$'000	*HK$'000*
Trade payables	**6,808,933**	6,618,690
Amounts due to joint ventures *(Note a)*	**768,800**	582,310
Amounts due to associates *(Note b)*	**51,162**	–
Amounts due to non-controlling shareholders *(Note c)*	**203,420**	290,114
Receipts in advance	**3,980,468**	2,963,062
Other payables and accruals	**2,614,407**	2,787,532
	14,427,190	13,241,708

Notes:

a. Except for the amounts due to joint ventures of HK$560,017,281 (31st December, 2017: HK$460,398,000) which are unsecured, bear variable interest ranging from 1.15% to 1.65% (31st December, 2017: from 1.15% to 1.65%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.

b. Amounts due to associates are unsecured, interest-free and repayable on demand.

c. Amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.

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, 2018	At 31st December, 2017
	HK$'000	*HK$'000*
0 – 90 days	**4,490,288**	4,395,132
91 – 180 days	**738,418**	613,272
180 – 365 days	**792,825**	812,793
Over 365 days	**787,402**	797,493
	6,808,933	6,618,690

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, 2018 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

HALF-YEAR RESULTS

In 2018, benefiting from various favourable factors including the improving macro economy in China, the propulsion of environmental protection policies and the rising prices of alternative energy, China's natural gas consumption maintained a rapid growth momentum and reached 134.8 billion cubic meters in the first half of the year, representing a year-on-year increase of 17.5%. The Group captured development opportunities in the market to realize rapid business development. During the period, the Group recorded a gas sales volume of 12.375 billion cubic meters, representing a year-on-year increase of 22.9%, and the number of gas users reached 32.52 million, representing a year-on-year increase of 12.3%. The Group continued to optimise its management model and improve its operating efficiency which resulted in a rapid improvement in profitability. The profit attributable to owners of the Company was HK$2.648 billion, representing a year-on-year increase of 25.3%. The net operating cash flow amounted to HK$4.071 billion, representing a year-on-year increase of 32.1%.

SALE OF NATURAL GAS

Benefiting from the further implementation of various natural gas policies and the strong demand for gas consumption from new and existing industrial and commercial users, the Group realised rapid growth in the natural gas sales volume in the first half of 2018. During the period, the Group's total natural gas sales volume reached 12.375 billion cubic meters. Of which, the industrial gas sales volume reached 5.118 billion cubic meters, representing an increase of 29.8% and accounting for 41.4% of the total gas sales volume of the Group. The commercial gas sales volume reached 3.292 billion cubic meters, representing an increase of 27.2% and accounting for 26.6% of the total gas sales volume of the Group. The residential gas sales volume increased by 13.8% to 3.035 billion cubic meters, accounting for 24.5% of the total gas sales volume of the Group.

DEVELOPMENT OF NEW USERS

The Group has taken up a large market share of gas projects in the economically developed cities, and driven by the stable performance of the real estate market in the large and medium-sized cities as well as the continuous promotion of urbanisation process, the Group's gas connection for residential users has achieved good performance. In the first half of the year, the Group connected 1.12 million new residential users, including 220,000 old residential users and 100,000 rural coal-to-gas conversion users. As at the end of the first half of 2018, the penetration rate of residential household in the regions where the Group operates was only 49%. The Group expects that the newly connected residential users will continue to grow steadily in the whole year of 2018 as compared with last year.

NEW PROJECT EXPANSION

The Group continued to focus on developing its core city gas business. Leveraging on good corporate branding and operational capability, the Group successfully acquired 20 new investment projects in the first half of 2018 with a total investment of HK$745 million. Of which, registration of 11 subsidiaries have been completed with an investment of HK$480 million. Another 9 new projects were approved by the Board with an investment of HK$265 million. The city gas projects acquired by the Group are located in Shandong, Jiangsu, Guangdong, Hunan and other places.

As at the end of the first half of 2018, the number of city gas projects of the Group has reached 243, 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 businesses.

NEW BUSINESS DEVELOPMENT

In the field of distributed energy, the Group signed three new projects in Chongqing, Guangdong and Hunan in the first half of 2018. In Chongqing, the Group has established a joint venture in distributed energy with Chongqing Gas Group (重慶燃氣集團) to jointly tap on the local natural gas distributed energy market. As a region nationally recognized to be suitable for the development of distributed energy, the establishment of the joint venture will become a strong boost to the rapid growth of the Group's distributed energy business locally.

Following the launch of the charging post business by the Group in Hangzhou in 2017, the Group's charging post companies in Nanjing and Zhenjiang have also commenced operation this year. The overall operating revenue from the charging post business increased threefold as compared with the previous corresponding period. Among them, the Hangzhou project has built 180 charging posts, and its total designed power distribution capacity is 18,200 kVA, which offered charging service for 474 electric buses. The Nanjing project has also offered charging service to more than 300 electric buses. The total charging capacity exceeded 6 million kWh in the first half of the year.

VALUE-ADDED BUSINESS DEVELOPMENT

The Group leveraged on the customer value chain and took various approaches to promote its value-added services. In the first half of the year, the overall revenue from value-added services increased by 68.7% year-on-year to HK$754 million. In the first half of the year, the premium from the gas insurance, which achieved the most rapid growth, amounted to HK$73.16 million, representing a year-on-year increase of 120%. The Group expects that the revenue from value-added services will reach HK$1.43 billion in 2018, representing a year-on-year increase of 26.5%. In future, the Group will continue to take flexible market-based approaches to make the value-added services a new profit growth point for the Company.

KEY FINANCIAL INFORMATION

In the first half of 2018, the Group achieved a turnover of HK$23.847 billion, representing a year-on-year increase of 34.8%. The Group's overall gross profit margin was 28.3%, representing a decrease of 3.9 percentage points as compared with the 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 79.7% in the previous corresponding period to 84.5% in the first half of 2018, while the proportion of revenue from gas connection with relatively high gross profit margin decreased to 14.0% from 17.9% in the previous corresponding period. The Group is of the view that the increase in the proportion of revenue from gas sale reflects the continuous optimization of the Group's business structure. Such optimization will lay a solid foundation for the Group's sustainable development in the future and continuously bring remarkable returns for shareholders.

The Group has been adopting prudent financial resource management policies to keep borrowings and capital expenditure at a sound level. The Group achieved rapid growth in operating cash flow in the first half of 2018, while the net operating cash flow increased by 32.1% to HK$4.071 billion. In 2018, three international rating agencies, namely Moody's, Standard & Poor's and FitchRatings, published reports, upgrading the credit rating of the Group to A3, A- and A-, respectively. The international rating agencies believe that while the business scale being improved, the Group also recorded an excellent performance on cash flow. It is expected that under the sound financial policy, the Group will maintain sufficient cash flow to cover its capital expenditure, further reduce its debt level and maintain excellent financial performance.

The upgrade in credit rating reflects 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.

At the same time, with the continuous deepening of "Bench-marking & Growth" by the Group, CR Gas further reduced costs and increased efficiency in 2018. The total cost-to-revenue ratio decreased from 16.5% in the previous corresponding period to 14.0%, down by 2.5 percentage points. The percentage of selling and distribution expenses to revenue decreased from 9.0% in the previous corresponding period to 8.2%, down by 0.8 percentage point. The percentage of administration expenses to revenue decreased from 6.1% in the previous corresponding period to 4.9%, down by 1.2 percentage points. Financial costs decreased by HK$37 million, and the percentage to revenue decreased from 1.4% in the previous corresponding period to 0.9%, down by 0.5 percentage point. The Group expects that the effectiveness of cost control implemented in 2018 will be further materialized.

DEVELOPMENT PROSPECT

In the first half of 2018, the Chinese macro economy continued to maintain favourable growth. With the policies including the promotion of "coal-to-gas conversion" strategy, the market demand for natural gas maintained a rapid growth. Driven by the acceleration of "oil to gas conversion" reforming program, the marketization progress of natural gas in China will be further accelerated.

In May, National Development and Reform Commission released a Circular on Straightening the Gas Station Price of Natural Gas Used for Residential Purpose (關於理順居民用氣門站價格的通知) to merge the gas pricing mechanism of residential-use gas prices together with non-residential-use gas prices. Gas station price for residential purpose has not been adjusted since 2010. This adjustment has further improved the natural gas pricing mechanism. Along with the above-mentioned industry development, the Group seized the opportunities brought by industry development and actively implemented various natural gas promotion and utilization policies introduced by the governments, with a view to achieving sustainable and rapid growth in its core city gas business.

While focusing on the development of the main businesses, the Group will also step up its efforts to expand new businesses such as distributed energy and charging posts, actively seek outstanding projects, make full use of the advantage of its large customer base consisting of more than 32 million gas users to develop 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.

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, 2018 (six months ended 30th June, 2017: 15 HK cents per share), payable on 29th October, 2018 to shareholders whose names appear on the register of members of the Company on 19th September, 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12th September, 2018 to 19th September, 2018, 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 11th September, 2018.

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, 2018.

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, 2018, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provisions D.1.4, E.1.2 and E.1.3 which are 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.

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 23rd May, 2018 due to other business engagements.

Under the code provision E.1.3, the Company should arrange for the notice of annual general meeting to be despatched to shareholders at least 20 clear business days before the meeting. The Company did not comply with this requirement because the Company required additional time to finalise the annual report.

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, 2018.

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 2018 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.crcgas.com) in due course.

By order of the Board
CHINA RESOURCES GAS GROUP LIMITED
WANG Chuandong
Chairman

Hong Kong, 17th August, 2018

As at the date of this announcement, the Directors of the Company are Mr. WANG Chuandong, Mr. SHI Shanbo and Mr. GE Bin, being Executive Directors; 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 and Mr. YANG Yuchuan, being Independent Non-executive Directors.