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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, 2020

CR Gas recorded slightly decreased interim results with decreases of 5.3% in gross gas sales volume to 13.253 billion cubic meters, 18.2% in net profit attributable to equity shareholders to HK\$2,396 million.

| | 1st Half | 1st Half | Increase/ (decrease) |
|---|---------------|----------|-------------------------|
| | 2020 | 2019 | |
| Turnover (HK\$ million) | 22,572 | 28,173 | (19.9%) |
| Profit attributable to equity shareholders of the Company (HK\$ million) | 2,396 | 2,928 | (18.2%) |
| Basic earnings per share (HK\$) | 1.09 | 1.34 | (18.7%) |
| Gross gas sales volume (million m³) | 13,253 | 13,998 | (5.3%) |
| Accumulated total connected customers (million) | 38.70 | 35.88 | 7.9% |

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, 2020 (the “Period”) with comparative figures for 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

| | NOTES | Six months ended 30th June, | |
|---|-------|---------------------------------|---------------------------------|
| | | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Revenue | 4 | 22,571,764 | 28,172,527 |
| Cost of sales | | (16,488,622) | (21,142,656) |
| Gross profit | | 6,083,142 | 7,029,871 |
| Other income | | 557,685 | 551,195 |
| Selling and distribution expenses | | (1,910,527) | (2,055,933) |
| Administrative expenses | | (995,454) | (1,076,287) |
| Finance costs | | (249,822) | (235,345) |
| Share of results of joint ventures | | 374,990 | 346,235 |
| Share of results of associates | | 128,029 | 159,562 |
| Profit before taxation | | 3,988,043 | 4,719,298 |
| Taxation | 5 | (924,865) | (1,032,825) |
| Profit for the period | 6 | 3,063,178 | 3,686,473 |
| Other comprehensive income/(expense) for the period | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | |
| Exchange differences arising on translation | | (904,967) | (151,621) |
| <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 | | (64) | – |
| Total comprehensive income for the period | | 2,158,147 | 3,534,852 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 2,396,479 | 2,928,087 |
| Non-controlling interests | | 666,699 | 758,386 |
| | | 3,063,178 | 3,686,473 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 1,702,714 | 2,802,558 |
| Non-controlling interests | | 455,433 | 732,294 |
| | | 2,158,147 | 3,534,852 |
| | | HK\$ (Unaudited) | HK\$ (Unaudited) |
| Earnings per share – Basic | 8 | 1.09 | 1.34 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2020

| | <i>NOTES</i> | At 30th June, 2020 <i>HK\$'000</i> (Unaudited) | At 31st December, 2019 <i>HK\$'000</i> (Audited) |
|--|--------------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 33,484,984 | 33,295,094 |
| Investment properties | | 77,401 | 81,727 |
| Right-of-use assets | 10 | 2,498,916 | 2,524,679 |
| Interests in joint ventures | | 9,395,854 | 9,505,281 |
| Interests in associates | | 3,861,321 | 3,811,134 |
| Equity instruments at fair value through other comprehensive income | | 141,449 | 146,258 |
| Goodwill | | 657,402 | 669,370 |
| Operating rights | | 1,215,773 | 1,185,695 |
| Deferred tax assets | | 285,986 | 277,336 |
| Deposits for operating rights | | 13,499 | 3,143 |
| Deposits for right-of-use assets | | 71,119 | 139,578 |
| Deposits for property, plant and equipment | | 296,609 | 141,609 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 52,000,313 | 51,780,904 |
| CURRENT ASSETS | | | |
| Inventories | | 937,931 | 857,076 |
| Trade and other receivables | 11 | 9,502,496 | 11,670,689 |
| Assets related to contract works | | 3,768,585 | 3,473,424 |
| Pledged bank deposits | | 1,095 | 5,208 |
| Bank balances and cash | | 16,532,697 | 13,236,655 |
| | | <hr/> | <hr/> |
| Total current assets | | 30,742,804 | 29,243,052 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 17,888,156 | 21,995,513 |
| Contract liabilities | | 14,368,578 | 13,018,460 |
| Government grants | | 100,936 | 77,953 |
| Lease liabilities | | 85,031 | 92,177 |
| Bank and other borrowings | | 2,689,853 | 2,031,347 |
| Taxation payable | | 628,800 | 739,522 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 35,761,354 | 37,954,972 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 46,981,763 | 43,068,984 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2020

| | At 30th June, 2020 <i>HK\$'000</i> (Unaudited) | At 31st December, 2019 <i>HK\$'000</i> (Audited) |
|--|--|--|
| CAPITAL AND RESERVES | | |
| Share capital | 231,401 | 222,401 |
| Reserves | <u>30,563,548</u> | <u>26,573,036</u> |
| Equity attributable to owners of the Company | 30,794,949 | 26,795,437 |
| Non-controlling interests | <u>8,615,431</u> | <u>8,561,346</u> |
| Total equity | <u>39,410,380</u> | <u>35,356,783</u> |
| NON-CURRENT LIABILITIES | | |
| Government grants | 279,932 | 254,107 |
| Lease liabilities | 230,313 | 268,990 |
| Bank and other borrowings | 242,081 | 285,261 |
| Senior notes | 5,526,304 | 5,545,404 |
| Other long-term liabilities | 227,621 | 243,845 |
| Deferred tax liabilities | <u>1,065,132</u> | <u>1,114,594</u> |
| Total non-current liabilities | <u>7,571,383</u> | <u>7,712,201</u> |
| Net assets | <u>39,410,380</u> | <u>35,356,783</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

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 and Risk Management Committee.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with the HKAS 34.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

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\$5,018,550,000, and the Group has capital commitment of approximately HK\$3,421,165,000 as at 30 June 2020. As at 30 June 2020, the Group has bank and other borrowings totalling approximately HK\$2,931,934,000 of which approximately HK\$2,689,853,000 was classified as current liabilities. The directors of the Company are of the opinion that there are good track records and relationship with banks which would enhance the Group’s ability on renewing the borrowing facilities.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities of HK\$12,455,583,000 and internally generated funds of the Group and the other factors described above, the Group has sufficient working capital for its present requirements for the next twelve months from 30 June 2020. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

| | |
|---|--|
| Amendments to HKFRS 3 | <i>Definition of a Business</i> |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendments to HKFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |
| Amendments to HKAS 1 and HKAS 8 | <i>Definition of Material</i> |

The application of the above amendments to HKFRSs in the Period has had no material impact on the amounts and/or disclosures reported in the condensed consolidated financial information.

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

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.

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 30 June 2020

| | Sale and distribution of gas fuel and related products <i>HK\$'000</i> (Unaudited) | Gas connection <i>HK\$'000</i> (Unaudited) | Sales of gas appliances <i>HK\$'000</i> (Unaudited) | Design and construction services <i>HK\$'000</i> (Unaudited) | Gas stations <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|--------------------------------------|--|---|--|--|---|---|
| Segment revenue – external customers | <u>18,490,028</u> | <u>2,573,871</u> | <u>95,483</u> | <u>201,513</u> | <u>1,210,869</u> | <u>22,571,764</u> |
| Segment results | <u>2,756,785</u> | <u>1,182,203</u> | <u>13,737</u> | <u>28,093</u> | <u>264,611</u> | <u>4,245,429</u> |
| Share of results of joint ventures | | | | | | 374,990 |
| Share of results of associates | | | | | | 128,029 |
| Unallocated income | | | | | | 453,896 |
| Unallocated expenses | | | | | | (964,479) |
| Finance costs | | | | | | (249,822) |
| Profit before taxation | | | | | | <u>3,988,043</u> |

Six months ended 30 June 2019

| | Sale and distribution of gas fuel and related products <i>HK\$'000</i> (Unaudited) | Gas connection <i>HK\$'000</i> (Unaudited) | Sales of gas appliances <i>HK\$'000</i> (Unaudited) | Design and construction services <i>HK\$'000</i> (Unaudited) | Gas stations <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|--------------------------------------|--|---|--|--|---|---|
| Segment revenue – external customers | <u>21,482,986</u> | <u>4,440,363</u> | <u>183,343</u> | <u>127,742</u> | <u>1,938,093</u> | <u>28,172,527</u> |
| Segment results | <u>2,589,632</u> | <u>2,040,690</u> | <u>21,522</u> | <u>27,954</u> | <u>375,141</u> | <u>5,054,939</u> |
| Share of results of joint ventures | | | | | | 346,235 |
| Share of results of associates | | | | | | 159,562 |
| Unallocated income | | | | | | 375,692 |
| Unallocated expenses | | | | | | (981,785) |
| Finance costs | | | | | | (235,345) |
| Profit before taxation | | | | | | <u>4,719,298</u> |

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

| | 30 June 2020 <i>HK\$'000</i> (Unaudited) | 31 December 2019 <i>HK\$'000</i> (Audited) |
|--|---|---|
| Segment assets: | | |
| Sale and distribution of gas fuel and related products | 39,221,812 | 39,362,649 |
| Gas connection | 5,558,305 | 5,289,235 |
| Sales of gas appliances | 140,919 | 148,124 |
| Design and construction services | 202,316 | 207,572 |
| Gas stations | 1,676,294 | 1,459,037 |
| | 46,799,646 | 46,466,617 |
| Interests in joint ventures | 9,395,854 | 9,505,281 |
| Interests in associates | 3,861,321 | 3,811,134 |
| Deferred tax assets | 285,986 | 277,336 |
| Unallocated corporate assets (<i>Note a</i>) | 22,400,310 | 20,963,588 |
| | 82,743,117 | 81,023,956 |
| Segment liabilities: | | |
| Sale and distribution of gas fuel and related products | 4,221,804 | 4,554,812 |
| Gas connection | 16,108,519 | 14,357,673 |
| Sales of gas appliances | 83,855 | 101,112 |
| Design and construction services | 1,042,699 | 1,403,621 |
| Gas stations | 103,568 | 101,148 |
| | 21,560,445 | 20,518,366 |
| Taxation payable | 628,800 | 739,522 |
| Deferred tax liabilities | 1,065,132 | 1,114,594 |
| Unallocated corporate liabilities (<i>Note b</i>) | 20,078,360 | 23,294,691 |
| | 43,332,737 | 45,667,173 |

Notes:

- a. Unallocated corporate assets represent investment properties, equity instruments at fair value through other comprehensive income, other receivables, 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 30 June | |
|---------------------------|--|--|
| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax | 926,594 | 1,037,107 |
| Deferred taxation | (1,729) | (4,282) |
| | 924,865 | 1,032,825 |

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for the six months ended 30 June 2020. 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 30 June | |
|---|--|--|
| | 2020 <i>HK\$'000</i> (Unaudited) | 2019 <i>HK\$'000</i> (Unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 822,576 | 875,819 |
| Depreciation of investment properties | 1,480 | 818 |
| Amortisation of operating rights (included in administrative expenses) | 27,465 | 39,190 |
| Amortization of right-of-use assets | 86,051 | 87,506 |
| Amortization of prepaid lease payments | | |
| (Gain)/loss on disposal of property, plant and equipment | (1,497) | 7,420 |
| Interests on: | | |
| Senior notes | 131,091 | 140,837 |
| Lease liabilities | 7,445 | 8,435 |
| Bank and other borrowings | 55,944 | 59,237 |
| Amounts due to joint ventures | 4,807 | 3,732 |
| Amount due to an intermediate holding company | 38,979 | 21,851 |
| Other long-term liabilities | 11,556 | 1,253 |
| | 249,822 | 235,345 |

and after crediting:

| | | |
|--|---------------|--------------|
| Interest income from bank and other deposits | 143,283 | 133,590 |
| Interest income from bank and other deposits placed in a fellow subsidiary | 1,785 | 2,747 |
| Interest income from joint ventures | 798 | 1,160 |
| Interest income from loan to a fellow subsidiary | 28,214 | 21,240 |
| Interest income from loan to an intermediate holding company | – | 3,240 |
| Net reversal of impairment loss recognised on financial assets | 11,811 | 9,429 |
| | 11,811 | 9,429 |

7. DIVIDENDS

During the six months ended 30 June 2020, a dividend of 72 HK cents per share (six months ended 30 June 2019: 62 HK cents per share), totalling HK\$1,633,115,000 (2019: HK\$1,350,494,000), was paid by the Company to its shareholders as the final dividend for the year ended 31 December 2019 (2019: 31 December 2018).

On 25 August 2020, the directors declared an interim dividend in respect of the current interim period of 15 HK cents per share amounting to HK\$340,232,000 in aggregate (six months ended 30 June 2019: 15 HK cents per share amounting to HK\$326,732,000 in aggregate) that will be paid to shareholders whose names appear on the register of members of the Company on 29 September 2020.

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\$2,396,479,000 (six months ended 30 June 2019: HK\$2,928,087,000) and on 2,196,017,685 (six months ended 30 June 2019: 2,178,215,487) weighted average number of shares in issue.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred a total cost of HK\$156,806,000 and HK\$1,253,974,000 (six months ended 30 June 2019: HK\$178,176,000 and HK\$1,702,988,000) on additions of gas pipelines and construction in progress, respectively.

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group had additions to prepaid land lease payments and other right-of-use assets of HK\$103,351,000 (six months ended 30 June 2019: HK\$106,401,000) and HK\$45,600,000 (six months ended 30 June 2019: HK\$17,524,000) respectively.

11. TRADE AND OTHER RECEIVABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|--|--|
| Trade receivables | 4,121,935 | 5,110,380 |
| Less: Allowance for doubtful debts | <u>(259,290)</u> | <u>(264,061)</u> |
| | 3,862,645 | 4,846,319 |
| Amounts due from joint ventures (<i>Note a</i>) | 413,148 | 308,534 |
| Amounts due from associates (<i>Note b</i>) | 82,189 | 78,861 |
| Amounts due from non-controlling shareholders (<i>Note c</i>) | 38,184 | 78,724 |
| Amounts due from fellow subsidiaries (<i>Note d</i>) | 1,164,009 | 2,023,154 |
| Deposits | 1,156,654 | 1,103,624 |
| Prepayments | 1,997,463 | 2,474,512 |
| Other receivables | <u>788,204</u> | <u>756,961</u> |
| | <u>9,502,496</u> | <u>11,670,689</u> |

Notes:

- a. Except for the amount due from joint ventures of HK\$32,948,000 (31 December 2019: HK\$40,933,000) which is unsecured, bear interest at 3.92% (31 December 2019: 3.92% to 4.28%) per annum and repayable within one year, the remaining balances are unsecured, interest-free and repayable on demand.
- b. Except for the amount of loans to associates of HK\$56,982,000 (31 December 2019: HK\$50,571,000) which are unsecured, bear interest at a rate of 4.35% (31 December 2019: 4.35%) per annum and are repayable within one year, the balances are unsecured, interest-free and repayable on demand.
- c. Amounts due from associates and non-controlling shareholders are unsecured, interest-free and repayable on demand.
- d. Except for the amounts due from a fellow subsidiary of HK\$876,058,000 (31 December 2019: HK\$1,674,525,000) which is unsecured, bear interest at a rate of 4.35% (31 December 2019: 4.35%) per annum and repayable within one year, the remaining balances 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:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| 0 – 90 days | 2,768,005 | 4,078,942 |
| 91 – 180 days | 566,051 | 350,374 |
| 181 – 365 days | 399,541 | 310,963 |
| Over 365 days | 129,048 | 106,040 |
| | <u>3,862,645</u> | <u>4,846,319</u> |

12. TRADE AND OTHER PAYABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| Trade payables | 6,268,034 | 6,831,824 |
| Amounts due to joint ventures (<i>Note a</i>) | 818,007 | 680,030 |
| Amounts due to associates (<i>Note b</i>) | 75,626 | 6,799 |
| Amounts due to non-controlling shareholders (<i>Note c</i>) | 362,772 | 203,537 |
| Amounts due to fellow subsidiaries (<i>Note b</i>) | 285,930 | 273,929 |
| Amounts due to an intermediate holding company (<i>Note d</i>) | 2,518,598 | 5,027,140 |
| Receipts in advance | 4,534,240 | 4,765,982 |
| Other payables and accruals | 3,024,949 | 4,206,272 |
| | <u>17,888,156</u> | <u>21,995,513</u> |

Notes:

- a. Except for the amounts due to joint ventures of HK\$811,926,206 (31 December 2019: HK\$678,271,816) which are unsecured, bear variable interest ranging from 1.15% to 1.65% (31 December 2019: 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 and fellow subsidiaries are unsecured, interest-free and repayable on demand.
- c. Amounts due to non-controlling shareholders are unsecured, interest-free and repayable on demand.
- d. Amounts due to an intermediate holding company of HK\$2,500,000,000 (31 December 2019: HK\$5,000,000,000) are unsecured and repayable within 12 months, including HK\$1,500,000,000 bears an interest of Hongkong InterBank Offered Rate (HIBOR) plus 0.55% ((31 December 2019: 0.55%) per annum and HK\$1,000,000,000 bears an interest of HIBOR plus 0.58% per annum respectively.

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

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| 0 – 90 days | 4,240,338 | 4,718,097 |
| 91 – 180 days | 568,310 | 638,114 |
| 181 – 365 days | 928,314 | 921,774 |
| Over 365 days | 531,072 | 553,839 |
| | <u>6,268,034</u> | <u>6,831,824</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, 2020 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

COVID-19 had a profound impact on the economic development and social activities of many countries around the world in the first half of 2020. The Chinese government has implemented effective prevention and control measures against the epidemic, with which the epidemic in China has been effectively controlled and the resumption of work and production of most industries was accomplished in the second quarter. The National Development and Reform Commission and the local governments have successively introduced multiple policies in the first half of the 2020 to promote the price reduction of urban natural gas gate station, so as to decrease the cost of gas consumption for industrial and commercial users and stimulate natural gas consumption. According to statistics from the National Development and Reform Commission, the apparent consumption volume of natural gas in the first half of 2020 was 155.61 billion cubic meters, representing a year-on-year increase of 4%.

In the first half of 2020, except for the increase in residential gas demand within the Group's operating areas, the gas demand for industrial and commercial users and gas filling stations has generally declined. The total natural gas sales volume of the Group declined to 13.253 billion cubic meters, representing a year-on-year decrease of 5.3%. With the price cut of upstream natural gas during the period, the Group promptly made adjustment to end-user price. In the first half of 2020, its turnover also decreased by 19.9% to HK\$22.572 billion over the corresponding period of the previous year. The Group optimized the structure of gas sources to ease the cost burden in the first half of 2020, thereby achieving the overall gross profit margin increased by 2.0 percentage points year-on-year to 27.0%.

In the first half of the year, the Group deeply adhered to the management objective of "benchmarking and ensuring development", benchmarked against outstanding companies, continued to optimize operations and management measures, guaranteed the stability of the operating base, and constantly worked hard to restore operating performance.

SALE OF NATURAL GAS

The Group recorded a total natural gas sales volume of 13.253 billion cubic meters in the first half of 2020. The industrial gas consumption in the regions where the Group operated has recovered constantly, of which the industrial gas sales volume reached 5.926 billion cubic meters, representing a year-on-year decrease of 5.6% and accounting for 44.7% of the total gas sales volume of the Group. Affected by the spreading of COVID-19, the difficulty of prevention and control of the epidemic has led to the slow commercial resumption of work and production, of which the commercial gas sales volume reached 2.863 billion cubic meters, representing a year-on-year decrease of 19.1% and accounting for 21.6% of the total gas sales volume of the Group. Benefiting from consumers' spending more time at home, the residential gas consumption has increased significantly, of which the residential gas sales volume reached 3.885 billion cubic meters, representing a year-on-year increase of 13.5% and accounting for 29.3% of the total gas sales volume of the Group.

DEVELOPMENT OF NEW USERS

During the period of epidemic, quarantine measures were taken by various local governments, and the gas connection work was postponed in the first half of the year. During the period, there were 1,004,000 new gas connection users, including 790,800 new residential users, 12,400 new industrial and commercial users, 194,000 old connection users and 6,800 rural “coal-to-gas conversion” users. As at the mid-2020, the penetration rate of residential household of the Group in the operational regions has increased from 51.6% to 53.8% over the previous corresponding period.

NEW PROJECT EXPANSION

The Group continued to focus on developing its core business of city gas operation. Leveraging on outstanding market expansion capabilities and good corporate branding, in the first half of 2020, the Group and the Company completed 14 contracted projects and the registration of 7 subsidiaries. The projects are located in provinces such as Jiangsu, Zhejiang, Sichuan, Hunan, Guangdong and other provinces, resulting in operation area expanded by 14,000 square kilometers. It is expected to increase 1.31 million users and realize of increase in gas sales volume by 1.5 billion cubic meters per year.

As at 30th June, 2020, the number of city gas projects of the Group reached 252, covering 22 provinces, 3 direct administrative municipalities and 74 prefecture-level cities. The expanding operational regions and prime geographic locations of the projects have laid a solid foundation for the sustained and rapid growth of the Group’s core business.

NEW BUSINESS DEVELOPMENT

In recent years, the demand for clean energy has been on the rise in the wake of pressure from economic transformation and further pushing for environmental protection faced by China. Riding on the government-supported policies and the advantage of huge market for gas projects and its existing customer base, the Group steadily promoted new businesses such as distributed energy and charging posts to meet the energy needs of different customers, expanding the Group’s income stream.

In terms of distributed energy, in the first half of 2020, the Group newly signed three distributed energy projects with an estimated total investment of approximately HK\$145.91 million. The cumulative number of projects reached 35 and the installed capacity was 343 MW.

In terms of charging stations, during the first half of 2020, as the operation of the public transportation system was restricted, the charging capacity was lower than expected. In the first half of 2020, totally 81 charging stations have been put into operation which include 12 new charging stations, with net generation of 62.21 million kWh.

In terms of hydrogen refueling stations, in the first half of 2020, one new hydrogen refueling station was approved for construction, and six hydrogen refueling stations in aggregate were approved for construction in Weifang, Wuxi, Xiangyang and Wuhan.

VALUE-ADDED BUSINESS DEVELOPMENT

Leveraging on the Group's brand influence, the Group thoroughly explored customer value and proactively explored the value-added service business model. The total revenue of value-added services in the first half of 2020 reached HK\$590 million, representing a year-on-year decrease of 10.3%. Among them, the turnover of extended value-added business reached HK\$350 million, representing a year-on-year increase of 13.9%, exhibiting a higher growth rate. The Group will continue to explore growing business market, take flexible market-based approaches, enhance value-added service capabilities and strive to foster profit growth points of value-added business.

KEY FINANCIAL INFORMATION

In the first half of 2020, the Group achieved a total turnover of HK\$22.572 billion, representing a decrease of 19.9% as compared with the corresponding period of last year. The Group's overall gross profit margin was 27.0%, representing an increase of 2 percentage points as compared with the corresponding period of last year. The overall gross profit amounted to HK\$6.083 billion, representing a decrease of 13.5% over the corresponding period of last year. Basic earnings per share were HK\$1.09, representing a decrease of 18.7% over the corresponding period of last year.

The Group has been adopting prudent financial resource management policies. The Group has sufficient funds and available banking facilities to meet capital expenditures and operating requirements in the future.

Capitalising on the government's encouragement of the use of clean energy (including natural gas) and the Company's ever-expanding business scale and rising performance quality, in 2020, the Group's credit rating was affirmed by three international rating agencies, namely Standard & Poor's, Moody's and FitchRatings, at A-, A3 and A-, respectively. The above credit rating has reflected the Group's development strategy of focusing on its core business and its current financial performance have been widely recognised by the market, which will ensure to obtain lower financial costs by the Group in its potential financing activities, and provide sufficient financial resources for the long-term healthy development of the Group.

In the first half of 2020, affected by the decreased turnover as compared with the previous corresponding period, the total cost-to-revenue ratio increased from 12.0% in the previous corresponding period to 14.0%. During the period, the total cost decreased from HK\$3.368 billion in the previous corresponding period to HK\$3.156 billion, down by 6.3%. The selling and distribution expenses decreased from HK\$2.056 billion in the previous corresponding period to HK\$1.911 billion, down by 7.1%. The administration expenses decreased from HK\$1.076 billion in the previous corresponding period to HK\$995 million, down by 7.5%. The finance costs increased from HK\$235 million in the previous corresponding period to HK\$250 million, up by 6.2%.

DEVELOPMENT PROSPECT

So far in 2020, the COVID-19 swept across the world, and the global economy was not optimistic. China, as the country to control the epidemic at early stage, has steadily promoted the resumption of work and production in industry and commerce and simultaneously introduced a number of policies to support economic recovery, and thus China's macro economy has tended to be stable. Although the epidemic has had a certain impact on our performance of the first half of 2020, the Group still firmly believes that the PRC government's long-term strategic vision of vigorously promoting the use of natural gas to diversify energy and combat pollution will remain unchanged, and the natural gas industry in China still has a good momentum of development.

During the second half of 2020, the Group will seize the opportunities arising from the development of the industry, and take the initiative in cooperating with the natural gas promotion and utilization policies of governments at all levels to achieve sustainable growth in its core city gas business. While focusing on the development of its core business, the Group will also revolve around the expansion of industry chains, deeply cultivate the core business while exploring customer value, step up its efforts to expand new businesses such as integrated energy and charging posts, promote the development of value-added services, and provide customers with diversified energy supply and services in an effort to continually enhance shareholders' return and promote sustainable development of the Group.

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, 2020 (six months ended 30th June, 2019: 15 HK cents per share), payable on 27th October, 2020 to shareholders whose names appear on the register of members of the Company on 29th September, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd September, 2020 to 29th September, 2020, 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 Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 22nd September, 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period ended 30th June, 2020.

ISSUE OF THE EQUITY SECURITIES

Pursuant to the placing, underwriting and subscription agreement dated 12th May, 2020, the Company has successfully placed a total of 90,000,000 existing shares of CRH (Gas) Limited at the Placing Price of HK\$40.81 per Share to no less than six independent placees which are selected and/or procured by or on behalf of the Placing Agent. Pursuant to the placing, underwriting and subscription agreement, the Company issued 90,000,000 new shares and sold these shares to CRH (Gas) at the Placing Price. The net Subscription Price for each Subscription Share, after deducting expenses in relation to the Placing and the Subscription, amounts to HK\$40.77. The Subscription Shares represent approximately 3.89% of the Company's issued share capital as enlarged by the Subscription. The net proceeds received from the Subscription by the Company amount to approximately HK\$3.67 billion in total. Details of the Placing and the Top-up Subscription are disclosed in the announcements of the Company dated 12th May, 2020 and 25th May, 2020.

The Company intends to use the net proceeds from the Subscription mainly for acquisition of more downstream city gas distribution businesses in the PRC and replenishment of general working capital of the Company. The Directors consider that the Placing and the Subscription strengthen the capital base of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries conducted any fund raising exercise in relation to the issue of the equity securities during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the mandatory provisions of the Corporate Governance Code (the “**Code**”) set out in Appendix 14 to the Listing Rules. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the “**Handbook**”) on 23rd December, 2005 and subsequently updated it in 2008, 2009, 2010, 2012, 2013, 2014, 2015, 2016 and 2018 respectively. The contents of the Handbook include, among others, directors’ duties, model code for directors’ transactions in securities, model code for securities 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. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. During the six months ended 30th June, 2020, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provision D.1.4 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.

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, 2020.

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 set out in the Model Code throughout the period.

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.

INTERIM REPORT

The 2020 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 of the Board

Hong Kong, 25th August, 2020

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