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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, 2021

CR Gas recorded rapidly increased interim results with increase of 29.5% in gross gas sales volume to 17.159 billion cubic meters, 35.6% in net profit attributable to equity shareholders to HK\$3,250 million.

	1st Half	1st Half	Increase/ (decrease)
	2021	2020	
Turnover (HK\$ million)	34,416	22,572	52.5%
Profit attributable to equity shareholders of the Company (HK\$ million)	3,250	2,396	35.6%
Basic earnings per share (HK\$)	1.43	1.09	31.2%
Gross gas sales volume (million m³)	17,159	13,253	29.5%
Accumulated total connected customers (million)	43.19	38.70	11.6%

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, 2021 (the “Period”) with comparative figures for 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	NOTES	Six months ended 30th June,	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	34,415,830	22,571,764
Cost of sales		(25,630,788)	(16,488,622)
Gross profit		8,785,042	6,083,142
Other income		681,851	557,685
Selling and distribution expenses		(2,733,487)	(1,910,527)
Administrative expenses		(1,460,131)	(995,454)
Finance costs		(200,713)	(249,822)
Share of results of joint ventures		419,255	374,990
Share of results of associates		179,693	128,029
Profit before taxation		5,671,510	3,988,043
Taxation	5	(1,429,144)	(924,865)
Profit for the period	6	4,242,366	3,063,178
Other comprehensive income/(expense) for the period			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		653,634	(904,967)
<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		151	(64)
Total comprehensive income for the period		4,896,151	2,158,147
Profit for the period attributable to:			
Owners of the Company		3,250,312	2,396,479
Non-controlling interests		992,054	666,699
		4,242,366	3,063,178
Total comprehensive income for the period attributable to:			
Owners of the Company		3,720,583	1,702,714
Non-controlling interests		1,175,568	455,433
		4,896,151	2,158,147
		HK\$ (Unaudited)	HK\$ (Unaudited)
Earnings per share – Basic	8	1.43	1.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2021

	<i>NOTES</i>	At 30th June, 2021 <i>HK\$'000</i> (Unaudited)	At 31st December, 2020 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	42,991,671	40,932,770
Investment properties		87,965	89,425
Right-of-use assets	10	2,847,258	2,816,236
Interests in joint ventures		12,328,085	12,114,832
Interests in associates		4,308,837	4,082,026
Equity instruments at fair value through other comprehensive income		155,059	153,100
Goodwill		914,340	903,956
Operating rights		1,458,047	1,476,285
Deferred tax assets		399,384	345,422
Deposits for operating rights		–	1,954
Deposits for right-of-use assets		119,013	65,825
Deposits for investment		90,136	–
Deposits for property, plant and equipment		211,844	247,585
		<hr/>	<hr/>
Total non-current assets		65,911,639	63,229,416
CURRENT ASSETS			
Inventories		1,198,892	1,006,828
Trade and other receivables	11	12,472,839	12,645,694
Assets related to contract works		4,169,431	3,534,472
Pledged bank deposits		6,385	12,193
Bank balances and cash		15,688,104	13,442,206
		<hr/>	<hr/>
Total current assets		33,535,651	30,641,393
CURRENT LIABILITIES			
Trade and other payables	12	21,090,157	20,193,275
Contract liabilities		16,265,172	15,174,058
Government grants		20,392	74,439
Lease liabilities		90,890	98,946
Bank and other borrowings		2,603,722	2,548,358
Senior notes		5,543,690	–
Taxation payable		766,142	933,609
		<hr/>	<hr/>
Total current liabilities		46,380,165	39,022,685
		<hr/>	<hr/>
Net current liabilities		(12,844,514)	(8,381,292)
		<hr/>	<hr/>
Total assets less current liabilities		53,067,125	54,848,124

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2021

	At 30th June, 2021 <i>HK\$'000</i> (Unaudited)	At 31st December, 2020 <i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES		
Share capital	231,401	231,401
Reserves	<u>37,994,261</u>	<u>36,042,886</u>
Equity attributable to owners of the parent company	38,225,662	36,274,287
Non-controlling interests	<u>11,912,073</u>	<u>10,594,072</u>
Total equity	<u>50,137,735</u>	<u>46,868,359</u>
NON-CURRENT LIABILITIES		
Government grants	712,832	252,705
Lease liabilities	194,693	219,530
Bank and other borrowings	291,561	298,575
Senior notes	–	5,535,664
Other long-term liabilities	472,665	477,613
Deferred tax liabilities	<u>1,257,639</u>	<u>1,195,678</u>
Total non-current liabilities	<u>2,929,390</u>	<u>7,979,765</u>
Net assets	<u><u>50,137,735</u></u>	<u><u>46,868,359</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

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, sale 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 2021 has been prepared in accordance with 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 2020.

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\$12,844,514,000, and the Group had capital commitment of approximately HK\$544,985,000 as at 30 June 2021. As at 30 June 2021, the Group had bank and other borrowings totalling approximately HK\$2,895,283,000, of which approximately HK\$2,603,722,000 was classified as current liabilities and senior notes of approximately HK\$5,543,690,000 was classified as current liabilities.

The directors of the Company are of the opinion that, taking into account of the unutilised banking facilities of HK\$13,983,116,000 and internally generated funds of the Group, the Group has sufficient working capital for its present requirements for the next twelve months from 30 June 2021. 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 2020, 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.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform– Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The application of the above amendments to HKFRSs during 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) Sale of gas appliances – sale of gas appliances and related products
- (iv) Design and construction services – design, construction, consultancy and management for gas connection projects
- (v) Gas stations – sale of gas fuel in natural gas filling stations

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 2021

	Sale and distribution of gas fuel and related products <i>HK\$'000</i> (Unaudited)	Gas connection <i>HK\$'000</i> (Unaudited)	Sale 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>27,808,810</u>	<u>4,295,930</u>	<u>302,852</u>	<u>280,690</u>	<u>1,727,548</u>	<u>34,415,830</u>
Segment results	<u>3,642,148</u>	<u>1,836,253</u>	<u>40,039</u>	<u>38,904</u>	<u>347,469</u>	<u>5,904,813</u>
Share of results of joint ventures						419,255
Share of results of associates						179,693
Unallocated income						508,403
Unallocated expenses						(1,139,941)
Finance costs						(200,713)
Profit before taxation						<u>5,671,510</u>

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)	Sale 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>

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Segment assets:		
Sale and distribution of gas fuel and related products	49,345,880	47,347,202
Gas connection	6,332,263	5,440,844
Sale of gas appliances	183,202	176,768
Design and construction services	137,201	164,962
Gas stations	2,135,696	1,811,197
	<u>58,134,242</u>	<u>54,940,973</u>
Interests in joint ventures	12,328,085	12,114,832
Interests in associates	4,308,837	4,082,026
Deferred tax assets	399,384	345,422
Unallocated corporate assets (<i>Note a</i>)	24,276,742	22,387,556
	<u>99,447,290</u>	<u>93,870,809</u>
Segment liabilities:		
Sale and distribution of gas fuel and related products	5,895,192	4,593,671
Gas connection	17,387,223	16,428,605
Sale of gas appliances	96,684	154,058
Design and construction services	1,476,758	2,150,358
Gas stations	107,890	174,740
	<u>24,963,747</u>	<u>23,501,432</u>
Taxation payable	766,142	933,609
Deferred tax liabilities	1,257,639	1,195,678
Unallocated corporate liabilities (<i>Note b</i>)	22,322,027	21,371,731
	<u>49,309,555</u>	<u>47,002,450</u>

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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current tax		
PRC Enterprise Income Tax	1,419,252	926,594
Deferred taxation	9,892	(1,729)
	1,429,144	924,865

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for the six months ended 30 June 2021. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its 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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	1,003,525	822,576
Depreciation of investment properties	2,031	1,480
Amortization of operating rights (included in administrative expenses)	35,293	27,465
Amortization of right-of-use assets	101,967	86,051
(Gain)/loss on disposal of property, plant and equipment	3,224	(1,497)
Interests on:		
Senior notes	130,828	131,091
Lease liabilities	7,742	7,445
Bank and other borrowings	32,889	55,944
Amounts due to joint ventures	714	4,807
Amount due to an intermediate holding company	7,699	38,979
Other long-term liabilities	20,841	11,556
	200,713	249,822

Six months ended 30 June	
2021	2020
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

and after crediting/(debiting):

Interest income from bank and other deposits	89,696	143,283
Interest income from bank and other deposits placed in a fellow subsidiary	3,372	1,785
Interest income from associates	1,385	–
Interest income from joint ventures	784	798
Interest income from loan to a fellow subsidiary	30,157	28,214
(Impairment)/reversal of impairment loss recognised on financial assets	(20,347)	11,811

7. DIVIDENDS

During the six months ended 30 June 2021, a dividend of 78 HK cents per share, totalling HK\$1,769,208,000, was paid by the Company to its shareholders as the final dividend for the year ended 31 December 2020.

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

On 20 August 2021, 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 2020: 15 HK cents per share amounting to HK\$340,232,000 in aggregate) that will be paid to shareholders whose names appear on the register of members of the Company on 13 September 2021.

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\$3,250,312,000 (six months ended 30 June 2020: HK\$2,396,479,000) and on 2,268,215,487 (six months ended 30 June 2020: 2,196,017,685) 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 2021, the Group incurred a total cost of HK\$106,224,000 and HK\$1,637,056,000 (six months ended 30 June 2020: HK\$156,806,000 and HK\$1,253,974,000) on additions of gas pipelines and construction in progress, respectively.

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group had additions to prepaid land lease payments and other right-of-use assets of HK\$81,653,000 (six months ended 30 June 2020: HK\$103,351,000) and HK\$16,361,000 (six months ended 30 June 2020: HK\$45,600,000), respectively.

11. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	5,424,893	5,251,785
Less: Allowance for doubtful debts	(376,943)	(356,204)
	5,047,950	4,895,581
Amounts due from joint ventures (<i>Note a</i>)	292,768	383,409
Amounts due from associates (<i>Note b</i>)	131,605	125,931
Amounts due from non-controlling shareholders (<i>Note c</i>)	75,563	88,324
Amounts due from fellow subsidiaries (<i>Note d</i>)	2,144,070	2,519,914
Deposits	1,121,294	1,044,976
Prepayments	3,112,651	2,891,429
Other receivables	594,455	738,221
Impairment allowance	(47,517)	(42,091)
	12,472,839	12,645,694

Notes:

- a. Except for the amount due from joint ventures of HK\$36,054,000 (2020: HK\$35,645,000) which are unsecured, bearing interests at a rate of 3.92% (2020: 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\$86,830,000 (2020: HK\$75,150,000) which are unsecured, bearing interests at a rate of 4.35% (2020: 4.35%) per annum and are repayable within one year, the balances are unsecured, interest-free and repayable on demand.
- c. Amounts due from non-controlling shareholders are unsecured, interest-free and repayable on demand.
- d. Except for the amount due from a fellow subsidiary of HK\$1,802,715,000 (2020: HK\$2,139,448,000) which are unsecured, bearing interests at a rate of 4.35% (2020: 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 ageing analysis of trade receivables, net of allowance for doubtful debts, and is presented based on the invoice date, which approximated to the revenue recognition date:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 – 90 days	3,919,841	3,881,917
91 – 180 days	512,288	467,884
181 – 365 days	454,864	404,052
Over 365 days	160,957	141,728
	<u>5,047,950</u>	<u>4,895,581</u>

12. TRADE AND OTHER PAYABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	7,394,042	7,418,545
Amounts due to joint ventures (<i>Note a</i>)	158,230	316,168
Amounts due to associates (<i>Note b</i>)	112,647	97,231
Amounts due to non-controlling shareholders (<i>Note c</i>)	575,576	590,997
Amounts due to fellow subsidiaries (<i>Note b</i>)	335,248	323,089
Amounts due to an intermediate holding company (<i>Note d</i>)	3,803,878	2,510,837
Receipts in advance	5,737,331	5,160,503
Other payables and accruals	2,973,205	3,775,905
	<u>21,090,157</u>	<u>20,193,275</u>

Notes:

- a. Except for the amounts due to joint ventures of HK\$140,637,000 (2020: HK\$304,448,000) which are unsecured, bearing interests at rates ranging from 1.15% to 1.65% (2020: from 1.15% to 1.65%) per annum and are repayable within one year, the 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\$3,800,000,000 (2020: HK\$2,500,000,000) are unsecured and repayable within 12 months, bearing an interest of Hong Kong InterBank Offered Rate (HIBOR) plus 0.55% per annum (2020: HK\$1,500,000,000 bearing an interest of HIBOR plus 0.55% per annum and HK\$1,000,000,000 bearing an interest of HIBOR plus 0.58% per annum, respectively).

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 – 90 days	5,527,910	5,537,878
91 – 180 days	806,816	583,813
181 – 365 days	543,979	750,457
Over 365 days	515,337	546,397
	<u>7,394,042</u>	<u>7,418,545</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, 2021 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

During the period under review, China's economy experienced a robust yet improving growth in the post-epidemic era, triggering improvement of confidence in consumer market, and the macroeconomic indicators suggested an accelerating recovery. China's GDP achieved a year-on-year growth of 12.7% in the first half of the year, among which the growth of industries amounted to 15.9% and the growth of accommodation and catering industry amounted to 29.1%. The National Energy Administration issued the "Guiding Opinions on Energy Work for 2021" in April, which plans to reduce the proportion of coal consumption to less than 56% and increase domestic natural gas production volume to 202.5 billion cubic meters. As an important low-carbon clean energy, natural gas will help China achieve its goal of "Carbon Peak and Carbon Neutrality" in the medium and long term. The demand for natural gas in China grew rapidly in the first half of the year, with an apparent consumption volume of natural gas of 182.7 billion cubic meter, representing a year-on-year increase of 17.4%.

In the first half of the year, notwithstanding the rapid increase in customers' demand for natural gas in the areas where the Group operated, and by leveraging on excellent operating capabilities, the Group's total natural gas sales volume increased by 29.5% from the same period last year to 17.159 billion cubic meters. However, during the Period, the Group's turnover increased by 52.5% from the same period last year to HK\$34.416 billion. The Group's profit attributable to owners of the Company increased by 35.6% from the same period last year to HK\$3.250 billion.

In the first half of the year, the Group firmly adhered to the management objective of "benchmarking and transforming development", benchmarked against outstanding companies, continued to optimize operations and management measures to build an integrated and digitally intelligent energy company spurred by city gas-centric, integrated energy-and-integrated services driven and high-quality innovative business as its main task, with a view to pushing forward the continual growth of the Group's operating performance.

SALE OF NATURAL GAS

In the first half of 2021, the Group recorded a total natural gas sales volume of 17.159 billion cubic meters, and industrial gas sales volume reached 8.374 billion cubic meters, representing a year-on-year increase of 41.3% and accounting for 48.8% of the total gas sales volume of the Group. Commercial gas sales volume reached 3.913 billion cubic meters, representing a year-on-year increase of 36.7% and accounting for 22.8% of the total gas sales volume of the Group. Residential gas sales volume reached 4.195 billion cubic meters, representing a year-on-year increase of 8.0% and accounting for 24.4% of the total gas sales volume of the Group.

DEVELOPMENT OF NEW USERS

Most of the Group's city gas projects are located in economically developed areas. Benefiting from the steady operation of real estate in large and medium-sized cities and the continuous promotion of urbanization in the first half of the year, the Group's residential connection business has increased year-on-year, with 1.296 million new connection users being recorded, of which there were 1.101 million new gas connection users, connections of 180,000 old residential users and 15,000 rural "coal-to-gas conversion" users and 15.8 thousand industrial and commercial users. As at the mid-2021, thanks to the Group's efforts to expand more operation areas, the growth rate in the number of connectable users outpaced the number of newly connected users, the penetration rate of residential household in the areas where the Group operated decreased from 53.8% to 52.6% 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 excellent corporate branding, in the first half of 2021, the Group and the Company incorporated 12 projects and signed 25 new projects. The projects are located in provinces such as Guangdong, Sichuan, Shandong, Jiangsu and Zhejiang, leading to the expansion of operation areas reaching 10,000 square kilometers. It is expected that the increment of users will be 1,150,000 while the increment of gas sales volume will be 1.87 billion cubic meters per year.

As at 30th June, 2021, the number of city gas projects of the Group reached 258, spanning across 22 provinces, 3 direct administrative municipalities and 75 prefecture-level cities. The expanding operational regions and prime geographic locations of the projects have laid a solid foundation for the sustainable and rapid growth of the Group's core business.

DEVELOPMENT OF COMPREHENSIVE ENERGY BUSINESSES

In recent years, the demand for clean energy has been on the rise in the wake of pressure from economic transformation and the continuous push for environmental protection confronted by China. Riding on the government-supported policies and the advantage of huge market for gas projects and its existing customer base, the Group forged ahead with comprehensive energy businesses such as charging posts and hydrogen refueling stations to meet the energy needs of different customers, which has expanded the Group's income streams.

In terms of distributed energy, in the first half of 2021, the Group signed 12 new distributed energy projects, with an estimated total investment of HK\$190 million, and the cumulative number of projects reached 71, recording an increment of energy sales volume by 87.3% year-on-year.

In terms of charging stations, in the first half of 2021, a total of 117 charging stations have been put into operation which included 10 new charging stations, with net generation of 110.0 million kWh, representing an increase of 83.3%.

In terms of hydrogen refueling stations, in the first half of 2021, there were two new hydrogen refueling stations, and nine hydrogen refueling stations in aggregate were approved for construction in Weifang, Wuxi, Xiangyang, Wuhan, Baicheng and Taizhou.

DEVELOPMENT OF COMPREHENSIVE SERVICE BUSINESS

Leveraging on the Group's brand influence, the Group thoroughly explored customer value and proactively explored the comprehensive service business model. The total revenue of comprehensive services in the first half of 2021 reached HK\$910 million, representing a year-on-year increase of 53.6%. Specifically, the turnover of extended value-added business reached HK\$410 million, representing a year-on-year increase of 18.0%. The turnover of gas insurance business reached HK\$200 million, representing a year-on-year increase of 42.5%. The turnover of gas appliance business reached HK\$300 million, representing a year-on-year increase of 217.2%. The Group will continue to explore the comprehensive service business market, take flexible market-based approaches, enhance comprehensive service business capabilities and strive to foster profit growth for comprehensive service business.

SUSTAINABLE DEVELOPMENT

In the course of the rapid development of the Company, the Group was active in promoting the development of corporate governance of the Board, built and continuously improved the composition of the Board and the management, clearly divided the powers and responsibilities for staff at different positions to perform their own duties, effectively restrained and balanced the authorities, and made scientific decisions so as to form an effective corporate governance structure. The Group attached great importance to integrity and compliance operations, abided by laws and regulations, international practices and business ethics, and adhered to the principle of fairness and integrity in handling relationships with stakeholders such as employees, suppliers, customers, government authorities, partners, and competitors. The Group won the trust and respect of the market with integrity and enhanced the inherent quality and value of the Company through compliance management.

The Group attached great importance to environmental, social, and governance (ESG) management, and established the Board and an ESG working group to actively promote the full implementation of the ESG sustainable development management system. With the efforts of all employees and effective management, in the first half of 2021, the Group set the goal of reducing the total greenhouse gas emissions for the whole year. The comprehensive energy consumption per RMB10,000 of revenue at comparable price decreased by 15.7% in terms of tons of standard coal, and the comprehensive energy consumption per RMB10,000 value-added at comparable price decreased by 9.7% in terms of tons of standard coal. The Group and its 47 regional companies successfully obtained OHSAS18001 or ISO45001 international certification, reflecting that the Group has an international-level occupational health and safety and environmental management system. The Group will continue to promote more member companies of the Group to obtain the above-mentioned international certification. The Group attached great importance to the life, health and safety of employees and users. During the period, a total of 366,000 hours of safety training were provided. The Group also continued to engage advisory firms to provide professional advice on the Group's ESG management system, policies, data disclosure, performance and practice, etc., and strived to further improve the Group's ESG performance. The Group believes that these measures will promote the sustainable development of the Company and contribute to the construction of a better ecological environment.

In the first half of 2021, the Group organized members of the Board and management to participate in anti-corruption and environmental protection trainings, and in-depth study of the culture of clean government and awareness of environmental protection from top to bottom. During the Period, MSCI rated the Group as BB in ESG. The Group will obtain recognition and approbation from all walks of life through pragmatic and accountable ESG quality management measures, and incorporate the national objectives of “Carbon Peak and Carbon Neutrality” in 2030 and 2060 respectively into the daily operation and management and implement in the actual business development.

KEY FINANCIAL INFORMATION

In the first half of 2021, the Group achieved a total turnover of HK\$34.416 billion, representing an increase of 52.5% as compared with the corresponding period of last year. The Group’s overall gross profit margin was 25.5%, representing a decrease of 1.5 percentage points as compared with the corresponding period of last year. The overall gross profit amounted to HK\$8.79 billion, representing an increase of 44.4% over the corresponding period of last year. The decrease in overall gross profit margin was mainly due to the adjustment of upstream natural gas prices during the period, as opposed to the same period last year during the pandemic. Basic earnings per share were HK\$1.43, representing an increase of 31.2% 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 the first half of 2021, 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.

The Group further reduced costs and increased efficiency. In the first half of 2021, the total cost-to-revenue ratio decreased from 14.0% in the previous corresponding period to 12.8%, representing a decrease of 1.2 percentage points. In particular, the percentage of selling and distribution expenses to revenue decreased from 8.5% in the previous corresponding period to 7.9%, representing a decrease of 0.6 percentage point. The percentage of administration expenses to revenue decreased from 4.4% in the previous corresponding period to 4.2%, representing a decrease of 0.2 percentage point. Financial costs-to-revenue ratio decreased from 1.1% in the previous corresponding period to 0.6%, representing a decrease of 0.5 percentage point. The Group expects that the effectiveness of cost control implemented in 2021 will be further materialized.

DEVELOPMENT PROSPECT

2021 marked the first year of China's "14th Five-Year Plan" and the "Dual-Cycle of Domestic and International Operation". With China's economy experiencing a continuous and steady recovery, consumption potential was steadily unlocked, average growth rate of investments continued to pick up, growth rate of import and export maintained an upward momentum and high-quality development yielded new achievements. Although the sporadic outbreak of COVID-19 incidents in some areas caused a certain negative impact on the economy, the overall improvement of China's macro-economy was positive and stable. Boosted by the Chinese government's continuous promotion of green development, the pursuit of the harmonious coexistence of human and nature and the establishment of a sound environmental governance system, the Group firmly believes that the strategic vision of the Chinese government to vigorously promote the use of natural gas to diversify and lower carbon energy in order to achieve "Carbon Peak and Carbon Neutrality" will remain unchanged. The natural gas industry in China still has a good momentum of development, providing a tremendous opportunity for the Group's sustainable development in the foreseeable future.

In the second half of 2021, the Group will seize opportunities arising from industrial development and proactively cooperate with governments at all levels in the promotion and utilization of natural gas policies to achieve continuous growth in the core business of city gas. While cultivating the main business, the Group will also focus on the extension of the industrial chain, tap customer value, increase the development of new businesses such as integrated energy, charging posts, and hydrogen refueling stations to promote integrated service businesses and provide customers with diversified energy supply and services. The Group will also explore the development direction of high-quality innovative business and continuously improve shareholder returns so as to boost the 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, 2021 (six months ended 30th June, 2020: 15 HK cents per share), payable on 25th October, 2021 to shareholders whose names appear on the register of members of the Company on 13th September, 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 10th September, 2021 to Monday, 13th September, 2021, both days inclusive. To qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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 Thursday, 9th September, 2021.

SHAREHOLDERS' OPTION TO ELECT

2021 Interim Dividend will be payable in cash to each shareholder in HK Dollars (“HKD”) unless an election is made to receive the same in Renminbi (“RMB”).

Shareholders will be given the option to elect to receive all or part of the 2021 Interim Dividend in RMB at the exchange rate of HKD1.0 : RMB0.83259, being the average benchmark exchange rate of HKD to RMB as published by the People’s Bank of China for the five business days (the date of this announcement included) immediately preceding 20th August, 2021. If shareholders elect to receive the 2021 Interim Dividend in RMB, such dividend will be paid to shareholders at RMB0.1248885 per share. To make such election, shareholders should complete the dividend currency election form which is expected to be despatched to shareholders on 21st September, 2021 as soon as practicable after the record date of 13th September, 2021 to determine shareholders’ entitlement to the 2021 Interim Dividend, and return it to the Company’s 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 8th October, 2021.

Shareholders who are minded to elect to receive all or part of their dividends in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on 25th October 2021 at the shareholders’ own risk.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period ended 30th June, 2021.

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, 2021, the Company was in compliance with the mandatory provisions of the Code except for the deviation from code provisions D.1.4 and E.1.2 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 the 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.

Code provision E.1.2 stipulates that the Chairman of the Board of Directors should attend the annual general meeting. The Chairman of the Board of Directors was unable to attend the Company's annual general meeting held on 21st May, 2021 due to other official duties.

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, 2021.

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 to all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code throughout the period.

INTERIM REPORT

The 2021 Interim Report will be despatched 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, 20th August, 2021

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 and Madam WAN Suet Fei, 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.