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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1193)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

Despite the slower and more challenging general economic environment during 2016, CR Gas registered a 16% increase in net profit attributable to equity shareholders to HK\$3,289 million and its net operating cash flow increased by 29% to HK\$7,365 million. The Board of CR Gas recommends an increase of 36% in total dividend per share to HK\$0.45. Gross gas sales volume increased by 15% to 16.27 billion m³ and total new connected residential customers increased by 10% to 2.69 million.

	2016	2015 (Restated)	Increase
Turnover (HK\$ million)	32,916	32,834	0.3%
Profit attributable to owners of the Company (HK\$ million)	3,289	2,838	16%
Basic earnings per share (HK\$)	1.51	1.30	16%
Net operating cash flow (HK\$ million)	7,365	5,690	29%
Interim dividend paid and proposed final dividend per share (HK\$)	0.45	0.33	36%
Gross gas sales volume (million m³)	16,272	14,121	15%
Total new connected residential customers (million)	2.69	2.45	10%

The board of directors (the “Board”) of China Resources Gas Group Limited (the “Company” or “CR Gas”) are pleased to announce the final results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2016.

RESULTS

In 2016, China’s economy has entered into the “new normal” phase whereby its economic growth shifted from high speed of double-digit growth to medium-to-high speed growth of about 7%. Under the shifting pace of economic growth and increasingly tight environmental constraints, the need for green transformation of energy is increasingly pressing, and the optimization of energy structure will significantly improve the consumption proportion of natural gas. In 2016, the international natural gas market continued with the supply-to-demand relationship of turning from relatively tight supply to loose, and from a seller’s market to a buyer’s market. Therefore, benefiting from the supportive national policy and reduction of natural gas price, the growth of China’s overall consumption of natural gas reached 6.6% in 2016, higher than 5.7% of the same period in 2015.

Despite the challenging economic environment, the Group’s gross gas sales volume increased by 15% and new connected residential customers increased by 10%. Although the turnover for 2016 increased only by 0.3% to HK\$32,916 million, profit attributable to the Company’s equity holders increased by 16% to HK\$3,289 million. The Group’s city gas distribution business in China continued to contribute significant profit and cash inflow to the Group. The Group has become the largest city gas distributor in the PRC with gross annual gas sales volume of 16.3 billion m³ and 26.49 million customers.

Thanks to the recovery of the real estate market in China in 2016, the Group’s effort in connecting gas to old residential households and continuing promotion of affordable housing construction by the state government, total new connected residential customers in 2016 increased by 10% to 2.69 million from 2.45 million in 2015.

The revenue of the Group is derived from gas sales, gas connection fee, engineering design & construction fees and sales of gas appliances, which respectively accounts for 72.5%, 22.6%, 4.1% and 0.8% of the 2016 revenue (2015: 73.8%, 20.9%, 4.7% and 0.6% respectively).

Due to the reduction of city gate prices since November 2015, as well as the reduction of RMB exchange rate used in translating results into Hong Kong dollars for the two comparative periods, the turnover of CR Gas only registered an increase of 0.3% from HK\$32.834 billion to HK\$32.916 billion for the year ended 31st December, 2016.

However, the Group recorded profit attributable to the Company's equity holders of HK\$3,289 million, representing an increase of 16% as compared to HK\$2,838 million for the previous corresponding period.

The increase in profit of the Company was mainly due to the overall gross profit margin of 34.0% for 2016, which was 3.5 percentage points higher than the 30.5% for 2015. This is because the gross margin of gas sales increased from 23.7% to 27.2% while gross margin of connection fee remained at 59.8%. The higher overall gas sales margin was mainly due to higher margin achieved in sales to commercial and industrial customers arising from dollar margin expansion during gas price reductions and the increase in residential dollar margin due to tiered pricing implementation through residential customers.

The decrease of HK\$34 million in other income was mainly due to the decrease of interest income resulting from the falling deposit interest rate of domestic banks and decrease of repair & installation fees.

The increase in absolute amounts of selling and distribution expenses in 2016 was mainly due to inclusion of related expenses of 鎮江華潤燃氣有限公司 as a result of its consolidation as a subsidiary from a joint venture. The decrease of administrative expenses was mainly due to the reduction of development expenses of computer systems. As a percentage of revenue, selling and distribution expenses as well as the administrative expenses were 10.4% and 7.5% respectively (2015: 9.5% and 8.1% respectively).

Finance expense reduced by HK\$2.27 million was mainly due to conversion of some Hong Kong Dollar denominated term loans into lower interest revolving loans, as well as the reduction of interest paid to the cash pool of joint ventures as a result of the decrease of RMB dominated interest.

Share of results of joint ventures reduced by HK\$187 million was mainly due to the increasing losses suffered by Tianjin Project and the consolidation of Zhenjiang Project as a subsidiary.

Results of associates, which were mainly contributed by Chongqing Project, remained stable during the year.

Taxation increased by HK\$243 million to HK\$1,751 million, representing 28.3% of profit before taxation (2015: 28.4%). This was mainly due to deferred taxation provision on undistributed profit of certain subsidiaries.

BUSINESS REVIEW AND PROSPECTS

The economic growth and urbanisation in China have continued to increase the demand for energy in China. In order to reduce reliance on more polluting energy sources such as coal and crude oil, the PRC government has, in recent years, taken concrete measures to promote the development and utilisation of less polluting energy sources. Natural gas is considered an effective and cleaner substitute for conventional energy sources such as coal and crude oil. The PRC government has therefore been very supportive of the development of the natural gas industry in China.

The percentage of natural gas in total energy consumption in the PRC is very low compared to international levels. According to BP Statistical Review of World Energy June 2016 and the Natural Gas Development “13th Five-Year” Plan published by the National Development and Reform Committee (“NDRC”), for 2015, natural gas only accounted for 5.9% of China’s total primary energy consumption, which is far lower than the international average of 23.8%.

The Natural Gas Development “13th Five-Year” Plan recently published by NDRC has stated that natural gas will account for 10% of the energy sources in China by 2020, up from the current 5.9% level. The Group believes that natural gas is a high quality, efficient and cleaner low-carbon energy. To accelerate the development of natural gas industries and increase the proportion of natural gas consumption in the primary energy source is a requisite move for China to speed up the development of a clean, low-carbon, safe and efficient modern energy system. Furthermore, it is an efficient path to relieve environment constraints, improve air quality and realize green and low-carbon development. It is also important for promoting energy conservation and emission reduction, benefiting the masses and promoting stable economic development.

After implementation of natural gas pricing mechanism reform in China in 2015, the PRC government in 2016 published a series of documents, such as “Measures for the Administration of the Price of Natural Gas Pipeline Transportation (Trial Implementation)” (《天然氣管道運輸價格管理方法(試行)》) and “Notice on Specifying the Pricing Policy on Storage Facility” (《關於明確儲氣設施相關價格政策的通知》). These are to promote the separation of upstream natural gas pipelines network operation from natural gas sales, require operators of long-distance pipelines networks to proactively disclose relevant information and specify the conditions for downstream users to have access to pipeline networks. The above documents will further drive upstream pipeline networks, LNG receiving terminals and other infrastructures to be opened fairly to third parties.

In addition to those related to long-distance pipelines, NDRC issued “Notice on Strengthening Provincial Price Regulation of Natural Gas Transmission and Reducing Gas Consumption Costs of Enterprises” (《關於加強地方天然氣輸配價格監管降低企業用氣成本的通知》) in August 2016. This requires provincial pipeline entities to lower the high price of intra-provincial pipeline transmission and distribution charges, reduce intermediate levels of operation in gas supply and reduce costs of gas transportation. It is expected that the natural gas cost for end users will be further decreased, which will facilitate the development and usage of natural gas.

The Group has embarked on various operational enhancement measures to boost the quality of its organic growth, starting with “Lean Management” practice in 2012 and “Bench-marking for Excellence” measure in 2013. The Group continues in 2016 and beyond to focus intensely on various Bench-marking measures to improve operation efficiencies relentlessly.

The Group will ride on the continuing favourable industry fundamentals and its experienced management team with strong execution record to continue delivering shareholder value via quality organic growth and external acquisitions.

SIGNIFICANT EVENTS

The Group has been active in seeking business opportunities to expand its core business of downstream city gas operation in the PRC over the recent years. Its existing city gas projects are strategically located in various provinces in the PRC.

During 2016, the Group continued to make new acquisitions and invested or paid HK\$391 million in 15 city gas projects. Most of these projects are either wholly owned or majority owned by the Group. In addition, as at 31st December, 2016, the Company has announced or the Board has approved another 17 proposed city gas distribution and related projects with proposed investments of HK\$1,183 million. The above new investments amounted to HK\$1,574 million.

In 2016, the Group also actively explored the extension of its industry value chain and customer base. CR Gas cooperated with China Resources Power Holdings Company Limited in Fujian Province in respect of power sales by leveraging the advantages of both parties and establishing a joint venture. CR Gas has 26.3 million residential users and 0.19 million industrial and commercial users. In future, we will continuously utilize CR Gas's competitive advantage in customer resources; select those provinces with healthy development in gas business and with relevant policies to engage in power sales business and explore the demand for power usage of existing gas customers.

In 2016, the Company carried out 6 pilot projects in distributed energy sector with a total installed capacity of 40MW and an expected total investment of some HK\$380 million, covering various formats such as hotels, hospitals, shopping complexes and industrial parks.

Furthermore, CR Gas will pay close attention to the state development policies on new energy automobiles and proactively conduct research on the development of charging posts business. CR Gas cooperated with local public transportation group in Hangzhou to provide electricity for electric buses which have replaced the traditional buses.

The investments will enable the Group to further extend its coverage and footprint in the PRC. The Group has existing city gas operations in these provinces and has 17 regional offices set up in various strategic locations in the PRC. The projects of the investments will be efficiently integrated and managed by the relevant regional offices depending on their geographical locations. As such, the Directors consider that the investments create synergy with the Group's existing gas operations, thereby will broaden the Group's revenue base as well as enhance and sustain its earning capabilities.

CORPORATE SOCIAL RESPONSIBILITY

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

For sustainable development in future, the Company proactively explores and expands the integrated and synergetic development of its industry value chain with an aim of creating a green and low-carbon energy model. This model will play an important role in optimizing the urban energy structure, promoting urban low-carbon economic development, protecting ecological environment and improving the image of cities and investment environment.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in the consolidated financial statements.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 30 HK cents per share. Together with the interim dividend of 15 HK cents per share paid, total distribution for 2016 would thus be 45 HK cents per share (2015: 33 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 16th June, 2017 to shareholders on the register of members of the Company on 2nd June, 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19th May, 2017 to Friday, 26th May, 2017, both days inclusive. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on Friday, 26th May, 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18th May, 2017.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 2nd June, 2017 and the register of members of the Company will be closed on Friday, 2nd June 2017, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 1st June, 2017.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2016.

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. The Company has throughout the year complied with the mandatory provisions of the Code except for the deviation from the code provisions D.1.4 and E.1.2 which is explained as follows:

Under the code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors. However, the Directors are subject to retirement by rotation at least once every three years in accordance with the 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. Due to other business commitment, the Chairman of the Board did not attend the annual general meeting of the Company held on 2nd June, 2016.

Save as mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Code throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2016

	NOTES	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue	3	32,916,149	32,834,035
Cost of sales		(21,732,021)	(22,835,173)
Gross profit		11,184,128	9,998,862
Other income	4	648,334	682,373
Selling and distribution expenses		(3,413,472)	(3,126,233)
Administrative expenses		(2,463,983)	(2,663,447)
Finance costs		5,955,007	4,891,555
Share of results of joint ventures		(538,452)	(540,722)
Share of results of associates		653,064	840,428
		118,967	120,082
Profit before taxation	5	6,188,586	5,311,343
Taxation	6	(1,750,778)	(1,508,236)
Profit for the year		4,437,808	3,803,107
Other comprehensive expense for the year			
Item that will not be subsequently reclassified to profit or loss			
Exchange differences arising on translation to presentation currency		(1,020,355)	(1,565,831)
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		(1,293,136)	—
Total comprehensive income for the year		2,124,317	2,237,276
Profit for the year attributable to:			
Owners of the Company		3,289,399	2,837,910
Non-controlling interests		1,148,409	965,197
		4,437,808	3,803,107
Total comprehensive income for the year attributable to:			
Owners of the Company		1,533,442	1,573,301
Non-controlling interests		590,875	663,975
		2,124,317	2,237,276
Earnings per share	8	HK\$	HK\$
Basic		1.51	1.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016

		2016	2015
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		24,058,871	22,717,164
Prepaid lease payments		1,522,489	1,455,967
Investment properties		41,640	39,855
Interests in joint ventures		9,028,797	9,993,948
Interests in associates		1,863,017	1,952,824
Available-for-sale investments		63,983	59,805
Goodwill		633,286	676,169
Operating rights		1,246,839	1,298,374
Deferred tax assets		209,637	190,323
Deposits for operating rights		1,859	20,641
Deposits for prepaid lease payments		74,757	65,460
Deposits for property, plant and equipment		274,443	344,107
Deposits for investments		684,732	731,098
		39,704,350	39,545,735
Current assets			
Inventories		413,426	570,516
Trade and other receivables	9	8,020,647	7,368,988
Amounts due from customers for contract works		1,881,976	1,534,776
Prepaid lease payments		82,837	74,683
Pledged bank deposits		46,581	50,702
Other deposits		4,028,548	—
Bank balances and cash		5,500,753	10,750,872
		19,970,768	20,350,537
Current liabilities			
Trade and other payables	10	10,574,023	12,441,037
Amounts due to customers for contract works		11,162,862	8,168,338
Government grants		44,782	24,490
Bank and other borrowings		3,139,480	4,219,798
Taxation payable		495,191	569,771
		25,416,338	25,423,434
Net current liabilities		(5,445,570)	(5,072,897)
		34,258,780	34,472,838

	<i>NOTE</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>11</i>	222,401	222,401
Reserves		17,545,842	16,786,958
		<hr/>	<hr/>
Equity attributable to owners of the Company		17,768,243	17,009,359
Non-controlling interests		5,936,550	5,477,647
		<hr/>	<hr/>
		23,704,793	22,487,006
		<hr/>	<hr/>
Non-current liabilities			
Government grants		133,548	104,489
Bank and other borrowings		3,301,844	4,970,773
Senior notes		5,726,370	5,708,620
Other long-term liabilities		187,743	189,772
Deferred tax liabilities		1,204,482	1,012,178
		<hr/>	<hr/>
		10,553,987	11,985,832
		<hr/>	<hr/>
		34,258,780	34,472,838
		<hr/> <hr/>	<hr/> <hr/>

NOTES:

1. BASIS OF PREPARATION

This announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$5,445,570,000, and the Group has commitments of HK\$133,584,000 as at 31st December, 2016. As at 31st December, 2016, the Group has bank and other borrowings totalling HK\$6,441,324,000 of which HK\$3,139,480,000 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 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 31st December, 2016. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisition of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position and/or disclosures set out in the Group's consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

In general, the director of the Company anticipates that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and is currently assessing the potential impact.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures but will not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. 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

In prior years, the chief operating decision maker assessed the Group’s businesses by two operating segments: (a) sale and distribution of gas fuel and related products and (b) gas connection. During the six months ended 30th June, 2016, the chief operating decision maker has reassessed and restructured its businesses into (i) sale and distribution of gas fuel and related products; (ii) gas connection; (iii) sale of gas appliances; and (iv) design and construction services. In the second half of 2016, an additional operating segment of (v) gas

3. REVENUE AND SEGMENT INFORMATION – continued

The information of segment revenue, segment results, segment assets and segment liabilities are as follows:

For the year ended 31st December, 2016

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Sale of gas appliances <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Revenue</i>						
External sales	<u>20,765,144</u>	<u>7,438,761</u>	<u>268,877</u>	<u>1,336,892</u>	<u>3,106,475</u>	<u>32,916,149</u>
<i>Results</i>						
Segment results	<u>2,810,282</u>	<u>3,588,493</u>	<u>42,130</u>	<u>173,485</u>	<u>616,743</u>	7,231,133
Share of results of joint ventures						653,064
Share of results of associates						118,967
Finance costs						(538,452)
Unallocated income						473,032
Unallocated expenses						<u>(1,749,158)</u>
Profit before taxation						<u>6,188,586</u>

3. REVENUE AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2016 – continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products HK\$'000	Gas connection HK\$'000	Sale of gas appliances HK\$'000	Design and construction services HK\$'000	Gas stations HK\$'000	Total HK\$'000
ASSETS						
Segment assets	<u>29,148,862</u>	<u>3,259,320</u>	<u>79,805</u>	<u>477,299</u>	<u>1,679,770</u>	34,645,056
Interests in joint ventures						9,028,797
Interests in associates						1,863,017
Deferred tax assets						209,637
Unallocated corporate assets (Note a)						<u>13,928,611</u>
						<u>59,675,118</u>
LIABILITIES						
Segment liabilities	<u>2,826,367</u>	<u>12,599,333</u>	<u>62,446</u>	<u>782,892</u>	<u>226,987</u>	16,498,025
Taxation payable						495,191
Deferred tax liabilities						1,204,482
Unallocated corporate liabilities (Note b)						<u>17,772,627</u>
						<u>35,970,325</u>

Other information

Amounts included in the measure of segment profit and segment assets:

	Sale and distribution of gas fuel and related products HK\$'000	Gas connection HK\$'000	Sale of gas appliances HK\$'000	Design and construction services HK\$'000	Gas stations HK\$'000	Unallocated HK\$'000	Total HK\$'000
Additions to non-current assets	4,124,792	–	–	5,211	139,921	8,828	4,278,752
Additions to non-current assets arising from acquisition of subsidiaries	803,661	–	–	–	–	2,788	806,449
Depreciation and amortisation	1,180,084	–	–	3,780	101,293	2,921	1,288,078
Release of prepaid lease payments	73,568	–	–	–	1,369	–	74,937
Impairment loss on trade receivables	22,160	–	824	493	52	–	23,529
Loss on disposal of property, plant and equipment	17,345	–	–	–	–	–	17,345
Loss on prepaid lease payment	774	–	–	–	–	–	774

3. REVENUE AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2015

Segment revenue and results

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Sale of gas appliances <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Revenue</i>						
External sales	<u>20,248,511</u>	<u>6,868,798</u>	<u>187,834</u>	<u>1,550,443</u>	<u>3,978,449</u>	<u>32,834,035</u>
<i>Results</i>						
Segment results	<u>2,113,430</u>	<u>3,100,175</u>	<u>27,284</u>	<u>71,121</u>	<u>1,078,733</u>	6,390,743
Share of results of joint ventures						840,428
Share of results of associates						120,082
Finance costs						(540,722)
Unallocated income						523,513
Unallocated expenses						<u>(2,022,701)</u>
Profit before taxation						<u>5,311,343</u>

Segment assets and liabilities

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Sale of gas appliances <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>ASSETS</i>						
Segment assets	<u>26,787,936</u>	<u>3,083,165</u>	<u>72,129</u>	<u>449,373</u>	<u>1,704,736</u>	32,097,339
Interests in joint ventures						9,993,948
Interests in associates						1,952,824
Deferred tax assets						190,323
Unallocated corporate assets (Note a)						<u>15,661,838</u>
						<u>59,896,272</u>
<i>LIABILITIES</i>						
Segment liabilities	<u>2,715,565</u>	<u>9,736,437</u>	<u>23,347</u>	<u>641,641</u>	<u>85,570</u>	13,202,561
Taxation payable						569,771
Deferred tax liabilities						1,012,178
Unallocated corporate liabilities (Note b)						<u>22,624,756</u>
						<u>37,409,266</u>

3. REVENUE AND SEGMENT INFORMATION – continued

For the year ended 31st December, 2015 – continued

Other information

Amounts included in the measure of segment profit and segment assets:

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Sale of gas appliances <i>HK\$'000</i>	Design and construction services <i>HK\$'000</i>	Gas stations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	4,723,524	–	–	3,613	222,250	11,099	4,960,486
Additions to non-current assets arising from acquisition of subsidiaries	5,609	–	–	–	–	5,150	10,759
Depreciation and amortisation	967,520	–	–	4,071	69,228	3,371	1,044,190
Release of prepaid lease payments	71,465	–	–	–	1,231	–	72,696
Impairment loss on trade receivables	26,313	–	–	–	–	–	–

4. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Other income included:		
Government grants	48,869	37,238
Interest income from bank deposits	99,934	159,763
Interest income from other deposits	100,608	34,006
Interest income from deposits placed with a fellow subsidiary	25,904	30,098
Interest income from loan to an intermediate holding company	–	19,689
Interest income from loan to a fellow subsidiary	–	6,426
Interest income from joint ventures	6,277	2,784
Rental income from investment properties (outgoings of HK\$4,512,000 (2015: HK\$4,554,000))	34,737	32,905
	<u>34,737</u>	<u>32,905</u>

5. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging:		
Staff costs		
Directors' emoluments	27,342	14,845
Other staff		
– Salaries and bonus	2,350,151	2,180,671
– Other benefits	452,983	434,431
– Performance related incentive payments under the Incentive Award Scheme	38,759	19,255
– Retirement benefits schemes contributions	467,580	410,812
Total staff costs	<u>3,336,815</u>	<u>3,060,014</u>
Auditor's remuneration	13,751	11,372
Depreciation of property, plant and equipment	1,221,032	980,687
Release of prepaid lease payments	74,937	72,696
Depreciation of investment properties	2,921	3,371
Amortisation of operating rights (included in administrative expenses)	64,125	60,132
Impairment loss on trade receivables	23,529	28,163
Loss on disposal of property, plant and equipment	17,345	6,090
Loss on disposal of prepaid lease payments	774	1,061
Operating lease rentals in respect of rented premises	169,406	164,871
	<u>169,406</u>	<u>164,871</u>

6. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The tax charge comprises:		
Current taxation		
PRC Enterprise Income Tax	1,586,276	1,378,061
Overprovision in prior years	(37,255)	(13,294)
Withholding tax paid for distributed profits and intergroup restructuring of investments in the PRC	<u>60,180</u>	<u>68,751</u>
	1,609,201	1,433,518
Deferred taxation	<u>141,577</u>	<u>74,718</u>
	<u>1,750,778</u>	<u>1,508,236</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for certain group entities which are entitled to various concessionary tax rates.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to 1st January, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

7. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2016 interim dividend – 15 HK cents per share (2015: 2015 interim dividend – 10 HK cents per share)	326,392	217,464
2015 final dividend – 23 HK cents per share (2015: 2014 final dividend – 20 HK cents per share)	<u>500,468</u>	<u>434,928</u>
	<u>826,860</u>	<u>652,392</u>

The directors recommend the payment of a final dividend of 30 HK cents (2015: 23 HK cents) per share for the year ended 31st December, 2016 in an aggregate amount of HK\$653,465,000 (2015: HK\$500,468,000).

8. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Earnings:		
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the Company)	<u>3,289,399</u>	<u>2,837,910</u>
	2016	2015
Number of shares:		
Weighted average number of shares in issue less shares held for incentive award scheme for the purpose of basic earnings per share	<u>2,176,106,473</u>	<u>2,175,077,350</u>

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

9. TRADE RECEIVABLES

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

	2016 HK\$'000	2015 HK\$'000
0 – 90 days	3,737,008	3,376,657
91 – 180 days	430,682	377,684
181 – 365 days	238,399	221,288
Over 365 days	<u>48,184</u>	<u>40,022</u>
	<u>4,454,273</u>	<u>4,015,651</u>

10. TRADE PAYABLES

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

	2016 HK\$'000	2015 HK\$'000
0 – 90 days	3,274,005	2,872,775
91 – 180 days	453,687	489,573
181 – 365 days	606,642	741,946
Over 365 days	<u>634,756</u>	<u>588,141</u>
	<u>4,969,090</u>	<u>4,692,435</u>

The average credit period on purchases of goods ranges from 7 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

11. SHARE CAPITAL

	Number of shares	Nominal value of shares HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 1st January, 2015, 31st December, 2015 and 31st December, 2016	10,000,000,000	1,000,000
Issued and fully paid:		
At 1st January, 2015, 31st December, 2015 and 31st December, 2016	2,224,012,871	222,401

There were no changes in the Company's authorised, issued and fully paid share capital during both years.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31st December, 2016 have been reviewed by the Audit and Risk Management Committee of the Company, which comprises three Independent Non-executive Directors and two Non-executive Directors, and have been audited by the Company's auditor, Deloitte Touche Tohmatsu. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere