



Beijing Gas Blue Sky Holdings Limited 北京燃氣藍天控股有限公司

(Incorporated in Bermuda with limited liability)



Stock Code: 6828



INTERIM REPORT 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit (*Co-chairman of the Board and Chief Executive Officer*)

Mr. Hung Tao

Mr. Li Weiqi

Non-executive Director

Mr. Zhi Xiaoye (*Co-chairman of the Board*)

Independent Non-executive Directors

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Ma Arthur On-hing

Mr. Pang Siu Yin

COMMITTEE MEMBERS

Audit Committee

Mr. Lim Siang Kai (*Chairman*)

Mr. Wee Piew

Mr. Ma Arthur On-hing

Mr. Pang Siu Yin

Remuneration Committee

Mr. Ma Arthur On-hing (*Chairman*)

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Pang Siu Yin

Nomination Committee

Mr. Ma Arthur On-hing (*Chairman*)

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Cheng Ming Kit

Mr. Pang Siu Yin

AUTHORISED REPRESENTATIVES

Mr. Hung Tao

Mr. Siew Chun Fai

COMPANY SECRETARY

Mr. Siew Chun Fai

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

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BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODE

6828

CORPORATE PROFILE

Beijing Gas Blue Sky Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is an integrated natural gas provider and operator focusing on the midstream and downstream development of the natural gas industry chain. Beijing Gas Group Co., Ltd. (“**Beijing Gas Group**”) is the single largest shareholder, with this strength, the Group’s major business includes (1) development and operation of city gas projects; (2) direct supply of liquefied natural gas (“**LNG**”) to industrial end users; (3) trading and distribution of compressed natural gas (“**CNG**”) and LNG; and (4) operating CNG and LNG refueling stations for vehicles. The Group aims to become China’s leading natural gas integrated operator and will focus on LNG business in the short term. In addition, the Group will proactively expand and lay out its business across the country to fully get involved in the development throughout the whole natural gas industry chain, thus creating the whole industrial chain development advantages for LNG business.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	1,882,630	842,645
Cost of sales		(1,674,718)	(761,687)
Gross profit		207,912	80,958
Other gains and (losses)	7	5,327	(13,712)
Other income	8	17,869	17,251
Reversal of impairment losses on financial assets		41,132	–
Administrative expenses		(125,928)	(127,292)
Other expenses		(5,820)	(1,821)
Finance costs	9	(136,399)	(111,172)
Share of profit of associates		159,302	7,959
Share of (loss)/profit of joint ventures		(1,090)	8
Gain on bargain purchase	16	–	197,950
Gain recognised on disposal of a subsidiary		–	36,039
Profit before income tax	10	162,305	86,168
Income tax (expenses)/credit	11	(2,194)	6,157
Profit for the period		160,111	92,325
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Exchange (loss)/gain arising on translation to presentation currency		(146,993)	7,079
Fair value loss on financial assets at fair value through other comprehensive income		(325)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of foreign operations		(1,393)	11,866
		(148,711)	18,945
Total comprehensive income for the period		11,400	111,270

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019	2018
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Profit for the period attributable to:			
Owners of the Company		134,346	78,668
Non-controlling interests		25,765	13,657
		160,111	92,325
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(17,285)	96,792
Non-controlling interests		28,685	14,478
		11,400	111,270
Earnings per share	13		
– Basic		HK1.03 cents	HK0.77 cents
– Diluted		N/A	HK0.77 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Prepaid lease payments		–	41,579
Property, plant and equipment	14	615,264	620,667
Intangible assets		1,198,980	1,234,621
Goodwill	15	1,468,507	1,139,731
Interests in associates	16	1,980,917	1,821,615
Interests in joint ventures		354,355	355,445
Deposits for acquisition of subsidiaries		690,194	803,080
Deposits for acquisition of property, plant and equipment		82,331	82,369
Prepayment		15,848	15,115
Financial assets at fair value through other comprehensive income		233,846	224,366
Right-of-use assets		102,923	–
Other non-current assets		300	300
		6,743,465	6,338,888
Current assets			
Prepaid lease payments		–	5,408
Inventories		55,984	56,982
Contract assets		5,225	93,038
Trade and other receivables	17	1,272,850	1,154,856
Amounts due from joint ventures		35,118	37,589
Amounts due from associates		31,454	30,736
Promissory notes receivables		–	8,311
Financial assets at fair value through profit or loss		210,556	220,918
Cash and bank balances		490,311	281,604
		2,101,498	1,889,442

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 <i>HK\$'000</i> (Unaudited)	31 December 2018 <i>HK\$'000</i> (Audited)
Current liabilities			
Trade and other payables	18	500,291	254,044
Contract liabilities		215,129	269,733
Lease liabilities		71,094	–
Obligation under finance leases		–	2,568
Bank and other borrowings	19	554,245	925,182
Convertible bonds	20	725,310	331,916
Embedded derivatives at fair value through profit or loss		6,700	6,003
		2,072,769	1,789,446
Net current assets		28,729	99,996
Total assets less current liabilities		6,772,194	6,438,884
Capital and reserves			
Share capital	21	714,236	714,236
Reserves		4,306,525	4,314,506
Equity attributable to owners of the Company		5,020,761	5,028,742
Non-controlling interests		121,478	84,654
Total equity		5,142,239	5,113,396
Non-current liabilities			
Amounts due to a joint venture		64,294	72,145
Lease liabilities		8,366	–
Obligation under finance leases		–	63,659
Bank and other borrowings	19	1,258,368	555,578
Convertible bonds	20	–	326,325
Deferred tax liabilities		298,927	307,781
		1,629,955	1,325,488
		6,772,194	6,438,884

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Equity attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Convertible note equity reserve HK\$'000	FVTOCI reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated profit HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2018 (Audited)	541,362	2,680,626	13,089	94,250	20,379	(43,048)	(62,310)	(6,029)	49,452	3,287,771	94,327	3,382,098
Profit for the period	-	-	-	-	-	-	-	-	78,668	78,668	13,657	92,325
Other comprehensive income for the period	-	-	-	-	-	-	-	18,124	-	18,124	821	18,945
Total comprehensive income for the period	-	-	-	-	-	-	-	18,124	78,668	96,792	14,478	111,270
Issue of shares for acquisition of subsidiaries	132,424	1,191,815	-	-	-	-	-	-	-	1,324,239	-	1,324,239
Issue of shares upon conversion of share options	396	2,796	(665)	-	-	-	-	-	-	2,527	-	2,527
Recognition of equity-settled share-based payments	-	-	2,200	-	-	-	-	-	-	2,200	-	2,200
Transfer to accumulated profit upon forfeiture of share options	-	-	(182)	-	-	-	-	-	182	-	-	-
Balance at 30 June 2018 (Unaudited)	674,182	3,875,237	14,442	94,250	20,379	(43,048)	(62,310)	12,095	128,302	4,713,529	108,805	4,822,334

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	AFS/FVTOCI reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated profit HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 31 December 2018 (Audited)	714,236	4,270,611	10,150	69,125	(43,048)	(62,310)	(240,312)	310,290	5,028,742	84,654	5,113,396
Change in accounting policy	-	-	-	-	-	-	-	9,304	9,304	-	9,304
Restated total equity at 1 January 2019	714,236	4,270,611	10,150	69,125	(43,048)	(62,310)	(240,312)	319,594	5,038,046	84,654	5,122,700
Profit for the period	-	-	-	-	-	-	-	134,346	134,346	25,765	160,111
Other comprehensive (expenses)/income for the period	-	-	-	(325)	-	-	(151,306)	-	(151,631)	2,920	(148,711)
Total comprehensive (expenses)/income for the period	-	-	-	(325)	-	-	(151,306)	134,346	(17,285)	28,685	11,400
Transfer to accumulated profit upon forfeiture of share options	-	-	(453)	-	-	-	-	453	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,788	2,788
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	5,351	5,351
Balance at 30 June 2019 (Unaudited)	714,236	4,270,611	9,697	68,800	(43,048)	(62,310)	(391,618)	454,393	5,020,761	121,478	5,142,239

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash from/(used in) operating activities	99,182	(256,316)
Net cash used in investing activities	(316,210)	(171,217)
Cash flow from financing activities		
Borrowing raised, net of transaction costs	770,078	663,843
Repayment of finance lease obligation/bank borrowings	(437,982)	(99,100)
Other financing cash flows (net)	4,422	(66,550)
Net cash from financing activities	336,518	498,193
Net increase in cash and cash equivalents	119,490	70,660
Cash and cash equivalents at the beginning of period	281,604	127,725
Effect of foreign exchange rate changes	89,217	22,662
Cash and cash equivalents at the end of period	490,311	221,047

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The address of its registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1411, 14/F., New World Tower I, 16-18 Queen’s Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in sales and distribution of natural gas and other related products.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and the functional currency of the Company is Renminbi (“**RMB**”). All values are rounded to the nearest thousands (“**HK\$’000**”) except when otherwise indicated.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 – Interim Financial Reporting issued by the International Accounting Standard Board (“**IASB**”) and the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

3. ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019:

IFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

The new amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings, plant and equipment and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* (“IFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessees incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.23%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

	HK\$'000
Operating lease commitments disclosed as at 31 December 2018	22,811
Lease liabilities discounted at relevant incremental borrowing rates	16,977
Less: Recognition exemption – short-term leases	(115)
Add: Obligations under finance leases recognized at 31 December 2018	66,227
Lease liabilities as at 1 January 2019	83,089
Analysed as	
Current	8,453
Non-current	74,636
	83,089

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	HK\$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	17,382
Prepaid lease payments as at 31 December 2018	46,987
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases [#]	42,830
	107,199
By class:	
Land and buildings	64,369
Plant and equipments	39,850
Motor vehicles	2,980
	107,199

[#] In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK\$42,830,000 as right-of-use assets.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IFRS 16 Lease (Continued)

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under IFRS 16 at 1 January 2019 <i>HK\$'000</i>
Non-current assets			
Prepaid lease payments	41,579	(41,579)	–
Right-of-use assets	–	107,199	107,199
Current assets			
Prepaid lease payments	5,408	(5,408)	–
Current liabilities			
Obligation under finance leases	2,568	(2,568)	–
Lease liabilities	–	8,453	8,453
Non-current liabilities			
Obligation under finance leases	63,659	(63,659)	–
Lease liabilities	–	74,636	74,636
Capital and reserves			
Reserves	–	9,304	9,304

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. SEASONALITY OF OPERATIONS

Seasonal fluctuation exists in our natural gas business. The demand is generally higher in the second half of the year due to the winter heating consumption.

Our interim results for the first half of the year may not serve as an indication of our results of operations for the entire financial year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE

A. For the six months ended 30 June 2019

(i) Disaggregation of revenue from contracts with customers

Segments	For the six months ended 30 June 2019		
	Natural gas refueling station <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	City Gas, pipeline construction fee, value-added service and others <i>HK\$'000</i>
Types of sale channels and nature of goods and services rendered			
Natural gas refueling station			
Liquefied natural gas ("LNG")	41,982	-	-
Compressed natural gas ("CNG")	37,091	-	-
	79,073	-	-
Trading and distribution of natural gas			
LNG	-	1,176,072	-
CNG	-	1,830	-
Fuel oil and other related oil by-products	-	81,057	-
	-	1,258,959	-
City Gas, pipeline construction fee, value- added service and others			
LNG	-	-	191,482
CNG	-	-	241,067
Pipeline construction fee	-	-	50,154
Other related products	-	-	61,895
	-	-	544,598
Total	79,073	1,258,959	544,598
Timing of revenue recognition			
A point in time	79,073	1,258,959	504,277
Over time	-	-	40,321
Total	79,073	1,258,959	544,598

All the revenue from customers are derived from the PRC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE (Continued)

A. For the six months ended 30 June 2019 (Continued)

(ii) Performance obligations for contracts with customers

Natural gas refueling station/trading and distribution of natural gas

For CNG and LNG refueling stations for vehicles and distributing and trading of CNG and LNG as a wholesaler to industrial and commercial users through direct supply facilities, revenue is recognised at a point in time when the customers obtain the control of goods which is when the gas refueling process have completed and the gas has been delivered to the wholesaler's specific location respectively. Transportation and other related activities that incurred before customers obtain control of the related products are considered as fulfilment activities. For trading and distribution of natural gas, the Group would require advance payment before the delivery of the natural gas for certain customers, any shortage against the periodically actual delivery of natural gas will be billed by the Group accordingly. The normal credit term for trading and distribution of natural gas is 30 days to 90 days upon delivery.

For natural gas refueling station, customers are required to purchase an oil card and top up the advance payment stored in the card for future usage of natural gas to be supplied by the Group. The Group requires advance payment before the usage of natural gas through oil card. Any shortage resulted in the oil, the group grant a normal credit term of 30 days upon the issue of monthly statement of the oil card.

City Gas, pipeline construction fee, value-added service and others

For sales of natural gas to residential, industrial and commercial users through pipelines and other related products, revenue is recognised at a point in time when the customers obtain the control of goods when the gas are supplied to and consumed by the end users. The normal credit term is 30 days to 90 days upon delivery.

For pipeline construction fee, the Group provides gas pipeline construction services under construction contracts with its customers. Such contracts are entered into before construction of the gas pipeline begins. The Group's performance creates and enhances an asset that the customer controls as the Group performs. Revenue from construction of gas pipeline is recognised over time on an input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group requires certain customers to provide upfront deposits before the commencement of the construction which will give rise to contract liabilities until the revenue recognised on the relevant contracts exceed the amount of the deposits. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract asset for any work performed in excess of payment from customer for the same contract. Any amount previously recognised as a contract asset is reclassified to trade receivables upon completion of construction works. The Group allows an average credit period of 90 days to its customers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE (Continued)

A. For the six months ended 30 June 2019 (Continued)

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

All sales of natural gas contracts and pipeline construction contracts are for original expected duration of one year or less. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

An analysis of the Group's revenue for the periods is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Natural gas refueling station	79,073	64,956
Trading and distribution of natural gas	1,258,959	315,534
City Gas, value-added service and others	494,444	402,648
Pipeline construction fee	50,154	59,507
	1,882,630	842,645

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6. SEGMENT REPORTING

Information reported to the executive Directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on nature of the goods being sold. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

1. Natural gas for transportation – operation of CNG and LNG refueling stations for vehicles
2. Trading and distribution of natural gas – distributing and trading CNG and LNG as a wholesaler and sales agent to industrial and commercial users through direct supply facilities
3. City gas, pipeline construction fee, value-added service and others – sale of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service such as repair and maintenance service, pipeline construction fee and others, such as transportation income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the six months ended 30 June 2019

	Natural gas for transportation <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	City gas, pipeline construction fee, value-added service and Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External segment revenue	79,073	1,258,959	544,598	1,882,630
Inter-segment sales	-	88,982	-	88,982
	79,073	1,347,941	544,598	1,971,612
Segment profit	3,519	60,681	285,505	349,705
Other income and other gains and losses				23,196
Central corporate expenses				(74,197)
Finance costs				(136,399)
Profit before income tax				162,305

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued) Segment revenue and results (Continued)

For the six months ended 30 June 2018

	Natural gas for transportation <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	City gas, pipeline construction fee, value- added service and Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External segment revenue	64,956	315,534	462,155	842,645
Inter-segment sales	–	111,808	27,791	139,599
	64,956	427,342	489,946	982,244
Segment profit	7,463	7,706	48,980	64,149
Other income and other gains and losses				3,539
Gain on bargain purchase				197,950
Central corporate expenses				(68,298)
Finance costs				(111,172)
Profit before income tax				86,168

Segment profit for the six months ended 30 June 2018 consists of a gain from disposal of 100% equity interest in Faster Success Global Limited, a wholly owned subsidiary, at a cash consideration of HK\$50,000,000 (the “**Faster Success Disposal**”) to an independent third party. The Faster Success Disposal results in a gain on disposal of subsidiary of HK\$36.0 million.

Segment profit represents the profit earned from each segment without allocation of other income and other gains and losses, gain on bargain purchase, central corporate expenses (including but not limited to directors’ emoluments), finance costs and income tax (expenses)/credit. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued)

Segment assets and liabilities

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

Segment assets

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Natural gas refueling station	934,683	914,113
Trading and distribution of natural gas	457,874	174,324
City gas, pipeline construction fee, value-added service and others	6,198,786	6,031,138
Total segment assets	7,591,343	7,119,575
Prepayment	15,848	15,115
Financial assets at fair value through other comprehensive income	233,846	224,366
Cash and bank balances	490,311	281,604
Property, plant and equipment for corporate use	3,082	4,018
Promissory notes receivables	-	8,311
Financial assets at fair value through profit or loss	210,556	220,918
Other unallocated assets	299,977	354,423
Consolidated assets	8,844,963	8,228,330

Segment liabilities

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Natural gas refueling station	63,617	46,003
Trading and distribution of natural gas	272,726	32,131
City gas, pipeline construction fee, value-added service and others	783,863	869,504
Total segment liabilities	1,120,206	947,638
Convertible bonds	725,310	658,241
Bank and other borrowings	1,812,613	1,480,760
Embedded derivatives at fair value through profit or loss	6,700	6,003
Certain lease liabilities	7,787	386
Other unallocated liabilities	30,108	21,906
Consolidated liabilities	3,702,724	3,114,934

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued) Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments (other than financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, promissory notes receivables, prepayment, cash and bank balances, and property, plant and equipment for corporate use); and
- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, convertible bonds, embedded derivatives at fair value through profit or loss and certain lease liabilities).

The Group has allocated goodwill to the relevant segments as segment assets.

7. OTHER GAINS AND (LOSSES)

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net exchange gains/(losses)	7,172	(7,079)
Change in fair value of financial assets mandatorily measured at fair value through profit or loss		
– Held for trading	193	202
– Others	(2,701)	(5,667)
Change in fair value of embedded derivatives at fair value through profit or loss	(697)	(1,685)
Government grants	1,360	517
	5,327	(13,712)

8. OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	11,722	12,948
Gas appliances income	2,258	–
Rental income	190	105
Sundry income	3,699	4,198
	17,869	17,251

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. FINANCE COSTS

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Finance charges on obligations under finance lease	–	3,577
Interests on lease liabilities	6,779	–
Interests on bank borrowings	6,011	2,814
Interests on other borrowings	42,407	21,793
Interests on convertible bonds	81,202	82,988
	136,399	111,172

10. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Profit before income tax is arrived at after charging:		
Amortisation of prepaid lease payments	–	5,634
Amortisation of intangible assets	35,641	34,837
Cost of inventories recognised as expense	1,572,810	761,687
Depreciation of property, plant and equipment	27,268	32,819
Depreciation of right-of-use assets	6,507	–
Employee benefit expenses		
– Salaries and allowance	40,883	56,461
– Contribution to defined contribution plans	11,832	11,801
	52,715	68,262

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. INCOME TAX (EXPENSE)/CREDIT

No Hong Kong profits tax has been provided for the six months ended 30 June 2019 as the Company and its subsidiaries did not derive any assessable profits in Hong Kong for that period.

In accordance with the relevant PRC enterprise income tax laws, regulations and implementation guidance note, subsidiaries in Mainland China are subject to the PRC enterprise income tax rate at 25% (six months ended 30 June 2018: 25%).

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
PRC corporate income tax	(11,104)	(2,552)
Deferred tax	8,910	8,709
Total income tax (expense)/credit	(2,194)	6,157

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12. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to the owners of the Company		
for the purposes of basic and diluted earnings per share	134,346	78,668
	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	12,986,114,715	10,178,101,054
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	N/A	14,179,713
Convertible bonds issued by the Company	N/A	N/A
	N/A	14,179,713
Weighted average number of ordinary shares for the purpose of		
diluted earnings per share	12,986,114,715	10,192,280,767

The computation of diluted earnings per share for the six months ended 30 June 2019 does not assume the conversion of the Company's outstanding convertible bonds and share options (30 June 2018: convertible bonds) since their assumed exercise would result in an increase in earnings per share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group has an addition of property, plant and equipment with a cost of HK\$43,951,000 (six months ended 30 June 2018: HK\$14,694,000). During the six months ended 30 June 2019, plant and equipment acquired on acquisition of subsidiaries amounted to HK\$27,580,000 (six months ended 30 June 2018: HK\$Nil).

15. GOODWILL

	<i>HK\$'000</i>
<hr/>	
COST AND CARRYING VALUES	
At 1 January 2018	1,212,765
Disposal of subsidiaries	(73,034)
At 31 December 2018 (audited)	1,139,731
Acquisition of subsidiaries	328,776
At 30 June 2019 (unaudited)	1,468,507

Note: Acquisition of subsidiaries mainly refer to the acquisition of Zhejiang Bo Xin. Related information was disclosed in the announcement dated 12 April 2019.

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

16. INTERESTS IN ASSOCIATES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<hr/>		
Cost of investment in associates		
Unlisted	1,821,615	1,570,130
Share of profits and other comprehensive income	159,302	251,485
	1,980,917	1,821,615

On 6 June 2018, the Group completed the acquisition of an associate, PetroChina Jingtang LNG Co., Ltd., through acquisition of subsidiaries. Since the fair value of net identifiable assets of Beijing Gas JingTang Company Ltd. and its subsidiaries exceeded the fair value of consideration shares issued for such acquisition, a gain on bargain purchase of HK\$197,950,000 was recognised in profit or loss and the interest in an associate of HK\$1,539,553,000 was recognized in the statement of financial position accordingly.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	304,932	208,003
Less: Loss allowance	(28,764)	(69,514)
Trade receivables – net	276,168	138,489
Prepayments	411,745	246,787
Consideration receivables	27,797	145,797
Loan receivables	413,595	530,187
Other receivables	143,545	93,596
	1,272,850	1,154,856

As at 30 June 2019 and 1 January 2019, trade receivables from contracts with customers amounted to HK\$144,944,000 and HK\$138,489,000 respectively.

The following is an aged analysis of trade receivables (net of allowance of credit losses) presented based on invoice dates, which approximate the respective revenue recognitions dates for sales of gas and the billing dates for work performed for construction contracts. The Group generally allows average credit period of 30 to 120 days to its customers.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 – 90 days	253,860	99,596
91 – 120 days	340	14,984
121 – 180 days	1,998	20,995
181 – 365 days	19,970	2,914
	276,168	138,489

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. TRADE AND OTHER RECEIVABLES (Continued)

Prepayments mainly included prepayment of purchase of natural gas and related products of HK\$377,508,000 (31 December 2018: HK\$196,319,000).

Consideration receivables mainly included proceeds from the disposal of the Waypost Limited of HK\$22,000,000.

Loan and bond receivables mainly included (i) three loan receivables of HK\$29,409,000 (31 December 2018: HK\$28,284,000), HK\$135,815,000 (31 December 2018: HK\$132,906,000) and HK\$164,057,000 (31 December 2018: HK\$138,958,000) respectively. These loan receivables are short term loan advances to independent third parties, which are unsecured, interest bearing and repayable within one year; (ii) three bond receivables of HK\$13,180,000 (31 December 2018: HK\$13,017,000), HK\$30,000,000 (31 December 2018: HK\$30,000,000) and HK\$30,000,000 (31 December 2018: HK\$30,000,000) respectively. These bond receivables are redeemable within one year by independent third parties, which are unsecured and interest bearing. The Group reviewed the recoverable amount of the loan receivables and bond receivables at the end of the reporting period and considered no impairment losses are recommended.

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18. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	401,618	192,096
Accrued charges and other creditors	50,445	44,803
Construction cost payables	48,228	17,145
	500,291	254,044

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. TRADE AND OTHER PAYABLES (Continued)

The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2018: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 – 90 days	300,145	161,734
91 – 180 days	16,633	13,625
181 – 365 days	30,055	11,467
Over 365 days	54,785	5,270
	401,618	192,096

19. BANK AND OTHER BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Unsecured bank borrowings	513,159	229,760
Unsecured corporate bonds (<i>note i</i>)	1,240,185	1,210,000
Unsecured other borrowings (<i>note ii</i>)	59,269	41,000
	1,812,613	1,480,760

Carrying amount repayable*:

Within one year	554,245	925,182
More than one year, but not exceeding two years	1,133,714	355,578
More than two years, but not exceeding five years	124,654	195,000
More than five years	–	5,000
	1,812,613	1,480,760
<i>Less:</i> Amounts due within one year or contain a repayment on demand clause shown under current liabilities	554,245	925,182
Amounts shown under non-current liabilities	1,258,368	555,578

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. BANK AND OTHER BORROWINGS (Continued)

- (i) The additional unsecured corporate bonds issued by the Company during the six months ended 30 June 2019 were HK\$437,285,200 (2018: HK\$895,000,000). The unsecured bonds have maturity of one to eight years (2018: one to eight years) until 2024 (2018: 2024) and interest bearing at 2% to 8% (2018: 2% to 8%) per annum. Transaction costs of approximately HK\$29,845,000 (2018: HK\$45,825,000) have been incurred and the corporate bonds carry effective interest at 5.4% (2018: 5.7%) per annum.
- (ii) Other borrowings are unsecured, with maturity of one year and interest bearing at 8% per annum.

20. CONVERTIBLE BONDS

	<i>Notes</i>	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Convertible Bond I	a	216,691	195,119
Convertible Bond II	b	153,949	136,797
Convertible Bond III	c	188,039	174,144
Convertible Bond IV	d	166,631	152,181
		725,310	658,241
Carrying amount repayable:			
Within one year		725,310	331,916
More than one year, but not exceeding two years		-	326,325
		725,310	658,241
<i>Less:</i> Amounts due within one year shown under current liabilities		(725,310)	(331,916)
Amounts due after one year shown under non-current liabilities		-	326,325

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20. CONVERTIBLE BONDS (Continued)

(a) Convertible Bond I

On 29 December 2016, the Company issued a HK\$200,000,000, 4.8% convertible bond (the “**Convertible Bond I**”). The Convertible Bond I will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bond I at a conversion price of HK\$0.67 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bond I. If the Convertible Bond I have not been converted, they will be redeemed on the maturity date at 118% of the principal amount.

The Convertible Bond I contain liability component and conversion option. The Company changed its functional currency from HK\$ to RMB on 28 October 2016, which is different from the issue currency of Convertible Bond I. Therefore the conversion option of Convertible Bond I is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

(b) Convertible Bond II

On 24 April 2017, the Company issued a HK\$150,000,000, 3.8% convertible bond (the “**Convertible Bond II**”). The Convertible Bond II will initial mature on the date falling thirty-two months from the issue date at a conversion price of HK\$0.67 per convertible share. Bondholder may, with prior consent by the Company, extend the initial maturity date, which fall on or after 4 months but not more than 12 months from the initial maturity date. The Company will redeem the Convertible Bond II at the redemption amount which shall be calculated in accordance to the following formula:

Redemption amount = Principal amount of the Convertible Bond II x (4.7% x (N/365) + 1) x 100% + (any accrued but unpaid interest)

N = Number of days from the issue date of the bonds to the maturity date

The Convertible Bond II contain liability component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bond II. Therefore, the conversion option of Convertible Bond II is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

20. CONVERTIBLE BONDS (Continued)

(c) Convertible Bond III

On 4 May 2017, the Company issued a HK\$200,000,000, 4.8% convertible bond (the “**Convertible Bond III**”). The Convertible Bond III will mature on the date falling on the third anniversary of the issue date of Convertible Bond III at a conversion price of HK\$0.67 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bond III. If the Convertible Bond III have not been converted, they will be redeemed on the maturity date at 106% of the principal amount.

The Convertible Bond III contain liability component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bond III. Therefore, the conversion option of Convertible Bond III is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

(d) Convertible Bond IV

On 26 June 2018, the Company issued HK\$180,000,000, 2% convertible bond (the “**Convertible Bond IV**”). The Convertible Bond IV will mature on the date falling on the second anniversary of the issue date of Convertible Bond IV at a conversion price of HK\$0.57 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bond IV. The Company shall have the right to convert all of the convertible bonds held by the bondholder into share, if during any three-month period within the conversion period the average closing price per share reaches HK\$0.684 per share. If the Convertible Bond IV have not been converted, they will be redeemed on the maturity date at the rate of 5.5% per annum of the outstanding amount at the time of the redemption plus any interest accrued.

The Convertible Bond IV contain liability component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bond IV. Therefore, the conversion option of Convertible Bond IV is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

21. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.055 each		
Authorised share capital		
At 31 December 2018 and 30 June 2019	91,000,000,000	5,005,000
Issued and fully paid share capital		
At 1 January 2018	9,842,945,694	541,362
Issue of shares upon conversion of convertible bonds (<i>note i</i>)	598,472,221	32,916
Issue of shares upon exercise of share options (<i>note ii</i>)	36,988,000	2,034
Issue of share through placing (<i>note iii</i>)	100,000,000	5,500
Issue of shares for acquisition of an associate (<i>note iv</i>)	2,407,708,800	132,424
At 31 December 2018 and 30 June 2019	12,986,114,715	714,236

Notes:

- (i) During the year ended 31 December 2018, a total of 598,472,221 new ordinary shares of the Company of HK\$0.055 each were issued upon conversion of the convertible bonds of the Company.
- (ii) During the year ended 31 December 2018, a total of 36,988,000 new ordinary shares of the Company of HK\$0.055 each were issued upon exercises of the share options of the Company.
- (iii) On 20 August 2018, the Company issued, by way of placing, 100,000,000 new ordinary shares of HK\$0.055 each at the issue price of HK\$0.57 and the proceeds from such issues amounted to HK\$57,000,000. An amount of HK\$51,500,000 in excess of par value were credited to share premium.
- (iv) On 6 June 2018, the Company issued 2,407,708,800 new ordinary shares of HK\$0.055 each at the issue price of HK\$0.50 per share, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 6 June 2018 as quoted on the Stock Exchange was HK\$0.55. An amount of HK\$1,191,816,000 in excess of per value were credited to share premium.

All shares issued rank *pari passu* with the existing shares of the Company in all respects.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22. COMMITMENTS

Capital commitments

At the end of reporting period, commitments in respect of capital expenditure are as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted but not provided for:		
– property, plant and equipment	33,704	26,565
– acquisition of a subsidiary	152,000	152,000
	185,704	178,565

23. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Finance cost related to finance lease obligation with a joint venture (<i>note a</i>)	2,191	3,562
Purchases of goods (<i>note b</i>)	2,243	2,397
Key management personnel		
– Short-term employee benefits	6,531	9,156
– Post-employment benefits	193	127
– Share based payments	–	1,057
Key management personnel remuneration	6,724	10,340

Note a: The Group entered into finance lease agreements with one of the joint ventures.

Note b: The amount represents purchases of goods from a shareholder of a subsidiary which have significant influence in that subsidiary.

24. PLEDGE OF ASSETS

As at 30 June 2019, certain plant and equipment of HK\$27,056,000 were pledged under finance leases (31 December 2018: HK\$42,830,000).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

With steady growth in national demand for natural gas in the first half of 2019, China recorded natural gas consumption of 149.3 billion cubic meters, representing an increase of 10.8% as compared to the corresponding period of last year. The LNG market maintained stable growth that the import volume of LNG was 28.37 million tons, representing an increase of 19.2% as compared to the corresponding period of last year. For the six months ended 30 June 2019 (“**HY2019**”), the Group’s total gas sales volume increased by 121.3% as compared to the corresponding period of last year to 548.5 million cubic meters (HY2018: 247.9 million cubic meters) on the back of the gradual betterment of the Group’s whole LNG value chain. The turnover was HK\$1,882.6 million (HY2018: HK\$842.6 million), representing an increase of 123.4% as compared to the corresponding period of last year. The gross profit was HK\$207.9 million (HY2018: HK\$81.0 million) with gross profit margin of 11.0% (HY2018: 9.6%). Profit for the period was HK\$160.1 million (HY2018: HK\$92.3 million) and earnings per share was HK1.03 cents (HY2018: HK0.77 cents), representing an increase of 73.4% and 33.8% respectively as compared to the corresponding period of last year. The increase during the period was mainly attributable to revenue from LNG receiving terminal of PetroChina Jingtang LNG Co., Ltd. (“**Jingtang**”), an associate of the Group, and the growth in gas sales volume. The operating cash flow improved significantly. As at 30 June 2019, the operating cash flow was HK\$99.2 million, representing an increase of HK\$355.5 million as compared to the corresponding period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

In HY2019, the gas sales volume from the subsidiaries amounted to 521.5 million cubic meters, representing a significant increase of 166.1% as compared to the corresponding period of last year (HY2018: 196.0 million cubic meters). In addition, the gas sales and throughput volume from the associates of the Group amounted to 3,267.3 million cubic meters. It was mainly attributable to natural gas throughput volume from Jingtang LNG receiving terminal.

As at 30 June 2019, the Group's natural gas projects covered a total of 16 provinces, cities and autonomous region in the PRC, namely Liaoning, Jilin, Hubei, Hebei, Shandong, Anhui, Zhejiang, Shaanxi, Guizhou, Hainan, Guangxi, Guangdong, Ningxia Autonomous Region, Shanxi, Beijing City and Shanghai City.

CITY GAS BUSINESS

As at 30 June 2019, the Group connected gas pipelines for 33,113 new users of 5 city gas projects during the period and the cumulative number of users reached 465,514, of which 32,987 were new residential users and the cumulative number of residential users reached 463,152. The Group secured 126 new industrial and commercial users and the cumulative number of industrial and commercial users reached 2,362. The gas sales volume of city gas projects of the Group was 91.1 million cubic meters, representing an increase of 28.3% as compared to the corresponding period of last year. The Group recorded a revenue of HK\$465.4 million, representing an increase of 43.7% as compared to the corresponding period of last year, primarily due to the increase in gas consumption of newly-developed industrial and commercial users of Shanxi and Liaoning projects and the increase in value-added service income.

DIRECT LNG SUPPLY BUSINESS

During HY2019, the Group provided industrial and commercial users with direct supply service covering Guangdong Province, Shanghai City, Shandong Province, Anhui Province, Hainan Province, Guizhou Province and Zhejiang Province, 22.5 million cubic meters of natural gas (HY2018: 38.3 million cubic meters) were sold, recording sales income of HK\$79.2 million (HY2018: HK\$138.2 million). In HY2019, the decrease in gas sales volume of the business segment was due to the Group's business integration. In order to improve the operation quality of individual project and coordinate the strategic development of newly acquired projects, the Group proactively reduced several direct supply projects which have poor operation quality and synergy. The Group provided stable gas sources for existing industrial and commercial users of direct supply service by establishing the productive partnership with LNG suppliers from the Bohai Economic Rim and the Yangtze River Delta Economic Zone which will also be two focused market regions for the Group to conduct business in the future. At the end of May 2019, the Group completed the acquisition of Zhejiang Bo Xin project serving nearly 100 industrial customers of direct supply service. As there is high demand for LNG at the location of Zhejiang Bo Xin project, the Yangtze River Delta region, which is characterised by steady upstream gas sources and regular downstream industrial and commercial customers, the project has become a significant contributor to LNG consumption growth of the Group since the completion of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

GAS REFUELING STATION BUSINESS

The Group sold natural gas to LNG vehicles (trucks and buses) and compressed natural gas (“CNG”) vehicles (taxis, buses and private cars). In HY2019, the Group owned 30 gas refueling stations including 17 CNG refueling stations and 13 LNG refueling stations (30 June 2018: 34 gas refueling stations including 20 CNG refueling stations and 14 LNG refueling stations), mainly covering Hainan Province, Anhui Province, Shandong Province, Guizhou Province, Jilin Province, Shanxi Province and Liaoning Province. The Group recorded a gas sales volume of 39.8 million cubic meters (HY2018: 40.7 million cubic meters) and sales income of HK\$79.1 million (HY2018: HK\$65.0 million), representing an increase of 21.7% as compared to the corresponding period of last year. The number of the Group’s gas refueling stations reduced by 4 as compared to the corresponding period of last year due to active adjustment. However, leveraging on good operation management, the business volume of gas refueling stations maintained growth and its operation quality was further improved.

LNG TRADING AND DISTRIBUTION BUSINESS

As at 30 June 2019, the Group distributed natural gas to downstream customers with gas sources from LNG receiving terminals in China’s coastal regions and gas sources from LNG plants and recorded a total trading volume of 395.0 million cubic meters (HY2018: 97.9 million cubic meters), representing a significant increase of 303.5% as compared to the corresponding period of last year through distributing LNG by 67 self-owned natural gas transportation vehicles (HY2018: 67 natural gas transportation vehicles). The revenue was HK\$1,259.0 million (HY2018: HK\$315.5 million), representing a significant increase of 299.0% as compared to the corresponding period of last year. The increase during the period was mainly because the Group imported a shipload of LNG in the second half of 2018 and approximately 88 million cubic meters of which were sold during the period. Meanwhile, with the good partnership with upstream gas source suppliers, the Group had gas sources with lower prices than average market cost. Therefore, the Group’s market development capability increased rapidly and its business scale expanded quickly. In addition, due to the completion of the acquisition of Zhejiang Bo Xin project in HY2019 by the Group, a significant LNG business project in the Zhejiang region which had better upstream gas sources and a huge trading network, contributing to stronger growth of the Group during the period.

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LNG RECEIVING TERMINAL PROJECTS

PetroChina Jingtang (Jingtang LNG Receiving Terminal)

In HY2019, the total throughput volume of LNG of Jingtang Receiving Terminal amounted to 3,243.7 million cubic meters, of which the gas volume transported to pipelines through gasification was 2,837.7 million cubic meters while the gas transportation volume of a tank truck was 406.0 million cubic meters. 4 new storage tanks of the receiving terminal are currently under interior construction and the emergency peak adjustment project is expected to be completed and put into operation in the second half of 2020, which will turn the receiving terminal into China’s largest LNG receiving terminal with higher peak adjustment and supply assurance capacity for the time being.

New Project Development

The Group completed the acquisition of Zhejiang Bo Xin and Xin Te project in June 2019, the consideration of which was RMB205,000,000 (equivalent to approximately HK\$239,174,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The principal business of Zhejiang Bo Xin included (i) direct supply of LNG to industrial users; and (ii) trading of LNG. It receives stable gas supply from CNOOC's Zhejiang Ningbo LNG terminal and mainly distributes and supplies to large scale industrial users. Zhejiang Bo Xin's major sales network covers Yangtze River Delta region, which is the key LNG consumption area in the PRC with developed regional economy and numerous industrial and commercial enterprises. This area has a strong market demand and the LNG consumption is expected to have considerable growth potential in the future. Xin Te is principally engaged in direct supply of LNG to industrial users. For the year ended 31 December 2018, Zhejiang Bo Xin had 68 direct supply and trading customers with sales volume of approximately 104,132 tons, whereas Xin Te had 23 direct supply and trading customers with sales volume of approximately 14,653 tons. The acquisition was completed in late May 2019, Zhejiang Bo Xin is undergoing the change of name to “北藍博臣能源有限公司” (Beijing Gas Blue Sky Bo Chen Energy Limited*) and will be engaged in the development of LNG trading and distribution, direct supply and relevant businesses in eastern China.

The acquisition of Zhejiang Bo Xin demonstrated the Group's strategic layout of whole LNG value chain and replenished the market share and influence of the Group in the midstream and downstream market of the LNG business in the Yangtze River Delta region, enhancing the overall LNG distribution capacity and sales capacity of the Group. It will be easier to achieve economies of scale through increasing the total trade volume, thereby improving the bargaining power of the Group in the upstream market. The acquisition will help the Group to achieve cooperation in the Yangtze River Delta region with upstream gas suppliers and terminals, coupled with the Group's established distribution advantages in the Beijing-Tianjin-Hebei region and other markets, the Group will achieve its strategic planning of importing gas from overseas sources independently in the future and capture more revenue under the great opportunity of the fast-growing market of imported LNG.

* *The English names of Chinese entities marked with “*” are translations of their Chinese names and are included in this interim announcement for identification purpose only.*

Financial Resources of the Group

Cash and bank balances of the Group amounted to HK\$490.3 million as of 30 June 2019. Given the Group's ample cash position, relatively low gearing level and quality profile of institutional and industry investors, the Group is expected to expand its investment in the natural gas industry and pursue opportunities for industry consolidation, so as to generate higher return for its shareholders. As at 30 June 2019, principal amount of the Group's corporate bonds and convertible bonds were HK\$1,240.2 million and HK\$730.0 million respectively. The Group's gearing ratio, which is total borrowings divided by total assets, was at 30.3% as at 30 June 2019 (31 December 2018: 27.7%). If excluding convertible bonds, the gearing ratio was 22.1% as at 30 June 2019 (31 December 2018: 19.7%). Cash to total liabilities was 13.2% as at 30 June 2019 (31 December 2018: 9.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

Convertible bonds issuance summary table

Issue date	Investors	Principal amount <i>HK\$'000</i>	Principal amount as at	Cash interest during HY2019 <i>HK\$'000</i>	Imputed Interest during HY2019	Conversion price per share <i>HK\$</i>	Maturity date
			30 June 2019 <i>HK\$'000</i>		<i>HK\$'000</i>		
2016-12-29	China Orient Asset Management Co., Ltd.	200,000	200,000	4,761	21,572	0.67	2019-12-29
2017-04-24	Central China International Investment Company Limited	150,000	150,000	2,827	17,152	0.67	2019-12-23
2017-05-04	China Huarong International Holdings Limited	200,000	200,000	4,760	13,895	0.67	2020-04-24
2018-06-26	SK E&S Co., Ltd.	180,000	180,000	1,785	14,450	0.57	2020-06-26
			730,000	14,133	67,069		

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Financial Review

Revenue

Revenue increased by 123.4% from HK\$842.6 million for the period ended 30 June 2018 to HK\$1,882.6 million for the period ended 30 June 2019, mainly attributable to the Company successfully developing the LNG trading business.

Gross Profit and Segment Profit

The Group recorded an increase in the gross profit from HK\$81.0 million for the period ended 30 June 2018 to HK\$207.9 million for the period ended 30 June 2019, the increase was due to the high profit margin from LNG/CNG refueling stations, trading and distribution of natural gas and city gas, pipeline construction fee, value-added service and others business.

Segment profit increased by 445.6% from HK\$64.1 million for the period ended 30 June 2018 to HK\$349.7 million for the period ended 30 June 2019, which was mainly due to the increasing profit from the segment of trading and distribution of natural gas of HK\$53.0 million and city gas, pipeline construction fee, value-added service and others of HK\$236.5 million.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation increased from HK\$270.6 million for the period ended 30 June 2018 to HK\$368.1 million for the period ended 30 June 2019, which was mainly due to the profit contributed by city gas business.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK\$3.5 million for the period ended 30 June 2018 to HK\$23.2 million for the period ended 30 June 2019, which was mainly due to the increase in net exchange gain by HK\$14.3 million, change in fair value of financial assets mandatorily measured at value through profit or loss by HK\$3.0 million and gas appliances income by HK\$2.3 million.

Operating expenses

(a) Administrative expenses

The administrative expenses decreased by 1.1% from HK\$127.3 million for the period ended 30 June 2018 to HK\$125.9 million for the period ended 30 June 2019. It was mainly due to the decrease in employee benefit expenses by HK\$11.5 million.

(b) Other expenses

Other expenses increased by 222.2% from HK\$1.8 million for the period ended 30 June 2018 to HK\$5.8 million for the period ended 30 June 2019 which was mainly due to the increase in legal and professional fees by HK\$4.0 million.

(c) Finance costs

Finance costs increased from HK\$111.2 million for the period ended 30 June 2018 to HK\$136.4 million for the period ended 30 June 2019 which was mainly due to the increase in interests on other borrowings of HK\$20.6 million and interests on lease liabilities of HK\$6.8 million.

(d) Income tax expense/credit

Income tax expense/credit was calculated at 25% and 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the period ended 30 June 2018 and 2019 respectively.

Income tax expenses of HK\$2.2 million for the period ended 30 June 2019 represented the current taxation arising from the PRC subsidiaries of HK\$11.1 million and the deferred tax credit of HK\$8.9 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Profit attributable to the owners of the Company

The Group's profit for the year attributable to the owners of the Company was arrived at HK\$134.3 million for the period ended 30 June 2019, representing an increase by HK\$55.6 million from the period ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Looking forward to the second half of 2019, the domestic natural gas consumption will continue to maintain steady growth. With the accelerated reform of oil and gas system, and the increasing supply capacity of natural gas, the natural gas industry will usher important development opportunities. Benefiting from the established system of the whole LNG value chain business, the Group recorded considerable growth of gas sales from LNG segment, compared to the same period last year. The Zhejiang Bo Xin project acquired in the first half of the year is an important step for the Group's layout of the whole LNG value chain, which will help the Group to cooperate closely with the upstream gas sources in the Yangtze River Delta region, further enhance existing customers' dependence on us, and promote the expansion of markets of new customers.

In the Bohai Rim, the Group is also focusing on the development opportunities of the whole LNG value chain, and has achieved the overall market layout of the Group's strategy of "North-South Connection". The Group's profit for the year attributable to the owners of the Company was arrived at HK\$134.3 million for the period ended 30 June 2019, representing an increase by HK\$55.6 million from the period ended 30 June 2018. The Group will give full play to the business advantages of the whole LNG value chain and promote the synergistic effects among upstream, midstream and downstream sectors. By expanding business development in the midstream and downstream, the Group will gain more imported offshore gas sources and improve bargaining power. Under the market environment where the LNG is developing rapidly, the Group will seize the opportunity of the industry and strive to increase our ranking within the industry.

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In addition, in terms of management, the Group will strengthen its operation and management, and reduce the costs and improve efficiency through "multi-tasking strategy". The Group will also effectively reduce the management expenses through management measures such as optimizing organizational structure, optimizing personnel and strictly controlling expenditures. By continuing to strengthen our cooperation with commercial banks, the Group will lower the finance cost of loans. Through the targeted acquisition of quality projects and enhanced scale advantage, the Group will thereby improve the overall profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

On 24 January 2018, the Company entered into a subscription agreement in principal amount of HK\$85,500,000 with Mrs. Surangrat Chirathivat (the “**Subscriber**”), a businesswoman and a citizen of Thailand, pursuant to which the Company has agreed to issue 150,000,000 new shares at the price of HK\$0.57 (the “**January 2018 Placement**”) to the Subscriber. As at the date of the subscription agreement, the closing market price of the Company’s shares as quoted on the Stock Exchange was HK\$0.54 per share.

On 17 August 2018, the Company and the Subscriber entered into a supplemental agreement, pursuant to which the Subscriber shall subscribe for all of the subscription shares in two tranches. The first tranche of 100,000,000 subscription shares were issued and allotted to the Subscriber on 20 August 2018. The subscription for the second tranche of 50,000,000 shares was ceased and terminated on 30 November 2018.

Net proceeds from the issue of new shares under First Tranche after deducting related transaction costs was approximately HK\$55.6 million, which was used for the general working capital of the Group.

On 5 March 2018, the Company entered into a convertible bond subscription agreement in the principal amount of HK\$180,000,000 with Prism Energy International Pte. Ltd., a limited liability company incorporated under the laws of Republic of Singapore, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK\$0.57 per conversion share (the “**March 2018 Placement**”) to the investor. As at the date of the subscription agreement, the closing market price of the Company’s shares as quoted on the Stock Exchange was HK\$0.59 per share.

On 26 June 2018, the March 2018 Placement was completed. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK\$173.2 million, which was used for the acquisition of Zhejiang Bo Xin project in HY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, convertible bonds, bank and other borrowings and lease liabilities.

The Group maintained cash and bank balances amounting to HK\$490.3 million as at 30 June 2019 (31 December 2018: HK\$281.6 million), an increase of 74.1% from 31 December 2018.

The Group had total borrowings of HK\$2,681.7 million as at 30 June 2019 (31 December 2018: HK\$2,277.4 million). The Group's gearing ratio, which is total borrowings divided by the total assets was 30.3% (2018: 27.7%).

The Group's non-current assets increased to HK\$6,743.5 million (31 December 2018: HK\$6,338.9 million), primarily due to the increase in goodwill of HK\$328.8 million.

As at 30 June 2019, the Group's current assets of HK\$2,101.5 million (31 December 2018: HK\$1,889.4 million), mainly comprised of trade and other receivables of HK\$1,272.9 million (31 December 2018: HK\$1,154.9 million); cash and bank balances of HK\$490.3 million (31 December 2018: HK\$281.6 million); financial assets at fair value through profit or loss of HK\$210.6 million (31 December 2018: HK\$220.9 million); inventory of HK\$56.0 million (31 December 2018: HK\$57.0 million); amount due from joint ventures of HK\$35.1 million (31 December 2018: HK\$37.6 million); amount due from associates of HK\$31.5 million (31 December 2018: HK\$30.7 million); and contract assets of HK\$5.2 million (31 December 2018: HK\$93.0 million).

As at 30 June 2019, the Group's current liabilities of HK\$2,072.8 million (31 December 2018: HK\$1,789.4 million), mainly comprised of convertible bonds of HK\$725.3 million (31 December 2018: HK\$331.9 million); bank and other borrowings of HK\$554.2 million (31 December 2018: HK\$925.2 million); trade and other payables of HK\$500.3 million (31 December 2018: HK\$254.0 million); contract liabilities of HK\$215.1 million (31 December 2018: HK\$269.7 million); lease liabilities of HK\$71.1 million (31 December 2018: nil) and embedded derivatives at fair value through profit or loss of HK\$6.7 million (31 December 2018: HK\$6.0 million).

As at 30 June 2019, the net current assets of the Group amounted to HK\$28.7 million (31 December 2018: net current assets of HK\$100.0 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.01 as at 30 June 2019 (31 December 2018: 1.06).

During the period ended 30 June 2019, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 30 June 2019, there were 971 (31 December 2018: 944) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major debts and borrowings and the reporting currencies are denominated in HK\$. The Group has limited exposure to foreign exchange gain/loss arising from settlement of debts and borrowings. The Group will consider to utilise more RMB denominated borrowings in the future. The Group's revenue is mainly denominated in RMB. As the RMB is not a freely convertible currency and is regulated by the PRC government, the future exchange rates can vary significantly from current or historical exchange rates. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities.

DIVIDEND

The Board did not recommend a payment of interim dividend for the HY2019.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) were as follows:

(i) Interest in shares of the Company

Name of Director/ chief executive	Nature of Interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Cheng Ming Kit (Note 2)	Beneficial owner	242,745,040 (L)	1.87%
	Interest of controlled corporation	950,388,256 (L)	7.32%
Mr. Hung Tao	Beneficial owner	43,682,730 (L)	0.34%

Notes:

1. The letter “L” denotes a long position in the shares of the Company (the “Shares”).
2. Mr. Cheng Ming Kit (“Mr. Cheng”) holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 847,436,256 Shares held by Grand Powerful Group Limited and 100% interest in China Print Power Limited and is deemed to be interested in 102,952,000 Shares held by China Print Power Limited. Mr. Cheng personally holds 242,745,040 Shares and shall purchase up to 161,750,000 Shares upon request from an option holder.

OTHER INFORMATION

(ii) Interest in underlying shares of the Company

Name of Director/ chief executive	Nature of Interest	Number of Shares (Note)	Approximate percentage of shareholding
Mr. Cheng Ming Kit	Beneficial owner	9,962,690 (L)	0.08%
Mr. Lim Siang Kai	Beneficial owner	2,490,670 (L)	0.02%
Mr. Wee Piew	Beneficial owner	2,490,670 (L)	0.02%
Mr. Ma Arthur On-hing	Beneficial owner	2,490,670 (L)	0.02%

Note: The underlying Shares are share options granted by the Company to the Directors. The letter "L" denotes a long position in the shares of the Company.

(iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
Mr. Cheng Ming Kit	Grand Powerful Group Limited	1	100%
	China Print Power Limited	10,000	100%

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company and their associates had any interests or short positions in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, persons/corporations (other than the Directors and chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Interest in shares of the Company

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Grand Powerful Group Limited (Note 2)	Beneficial owner	847,436,256 (L)	6.53%
Beijing Gas Company Limited (Note 3)	Beneficial owner	5,341,042,131 (L)	41.13%
Beijing Gas Group Co., Ltd (Note 3)	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Beijing Enterprises Group Company Limited (Note 3)	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Lee Tsz Hang (Note 4)	Beneficial owner	608,837,000 (L)	4.69%
	Interest of controlled corporation	223,856,000 (L)	1.72%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. Grand Powerful Group Limited is wholly-owned by Mr. Cheng Ming Kit, an executive Director and Co-chairman of the Board. The interest disclosed represented the same interest as part of the corporate interest of Mr. Cheng Ming Kit as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above.
3. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Gas Group Co., Ltd. and is deemed to be interested in 5,341,042,131 Shares. Mr. Zhi Xiaoye, the non-executive Director and Co-Chairman of the Board, is currently the vice president of Beijing Enterprises Holdings Limited and a director and general manager of Beijing Gas Group Co., Ltd.
4. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 223,856,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 608,837,000 Shares.

Save as disclosed above, the Company has not been notified of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 30 June 2019, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

OTHER INFORMATION

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme were adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and Directors of the Company or any of its subsidiaries.

During the period, no share options were granted under the Scheme or have been exercised. A total of 3,180,000 share options were lapsed. As at 30 June 2019, share options outstanding under the Scheme entitling the holders to subscribe for 92,945,390 Shares of par value HK\$0.055 each in the capital of the Company represented approximately 0.72% of the Shares in issue.

Save as determined by the directors and provided in the offer of the grant of the relevant options, there is no general requirement that an option must be held for any minimum period before it can be exercised.

The following table discloses movements of the Company's share options during the six months ended 30 June 2019:

Category of grantee	Exercise price per share option HK\$	Date of grant	Exercisable period	Number of share options as at 1 January 2019	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2019
Directors:								
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	-	-	-	9,962,690
Mr. Lim Siang Kai	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	-	-	-	2,490,670
Mr. Wee Piew	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	-	-	-	2,490,670
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	-	-	-	2,490,670
Sub-total				17,434,700	-	-	-	17,434,700
Employees								
	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	-	-	-	9,962,690
	0.395	23 July 2015	23 July 2016 to 22 July 2019	41,628,000	-	-	(380,000)	41,248,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	27,100,000	-	-	(2,800,000)	24,300,000
Sub-total				78,690,690	-	-	(3,180,000)	75,510,690
Total				96,125,390	-	-	(3,180,000)	92,945,390

OTHER INFORMATION

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions listed in the CG Code during the HY2019 except for the following deviations:

Code provision A.2.1

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheng Ming Kit, a co-chairman of the Company, was appointed as chief executive officer on 19 January 2018 and performed both the roles of chairman and chief executive officer of the Company which is deviated from code provision A.2.1 of the CG Code. The Company believes that Mr. Cheng Ming Kit serves as both the co-chairman and the chief executive officer of the Company is more efficient and effective for the Company to develop its long-term strategies and in the execution of its business plans.

Code Provision A.6.7

Under code provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Zhi Xiaoye, a non-executive Director and Mr. Lim Siang Kai and Mr. Pang Siu Yin, independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 12 June 2019 due to their other business commitments.

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 12 June 2019 due to their other business commitments.

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the publication of the 2018 annual report are set out below:

- (i) Mr. Lim Siang Kai was appointed as a non-independent non-executive chairman of D'nonce Technology Berhad (a company listed in Malaysia) on 12 June 2019.
- (ii) Mr. Pang Siu Yin resigned as an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on the Stock Exchange, with effect from 17 July 2019.

Save as disclosed above, the Company is not aware of any other changes in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ACQUISITION OF SUBSIDIARY

On 12 April 2019, Goldlink Capital Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), and Daily Joyous Limited (the "**Vendor**") entered into a sale and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of Rainbow Leap Limited at a consideration of RMB205,000,000 (equivalent to approximately HK\$239,174,000). The acquisition was completed in late May 2019.

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DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

General banking facility letter entered into on 24 April 2019

Pursuant to a general banking facility letter entered into between the Company and a bank on 24 April 2019 in relation to the facilities of US\$30,000,000 for irrevocable letters of credit with full trust receipts and/or for invoice financing on invoices issued by vendors with a sub-limit of (i) US\$30,000,000 available for discounting invoices; and (ii) US\$5,000,000 available for revolving credit facility (the "**Facilities**"), the Company undertakes that Beijing Enterprises Holdings Limited directly/indirectly holds at least 40% of the issued shares of the Company. The Facilities have no fixed term and are subject to the overriding right by the bank at any time to demand repayment.

Uncommitted revolving multicurrency loan facility agreement entered into on 19 June 2019

Pursuant to an uncommitted revolving multicurrency loan facility agreement entered into between the Company and a bank on 19 June 2019 in relation to the facilities of US\$30,000,000 for a short-term multicurrency loan facility (the "**Facility**"), the Company undertakes that Beijing Gas Company Limited holds at least 35% of the equity interest of the Company. The Facilities have no fixed term and the bank is entitled in its absolute discretion to cancel and/or demand immediate repayment of all outstanding amounts from time to time.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the six months ended 30 June 2019.

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results have not been audited or reviewed by the Group’s external auditors.

AUDIT COMMITTEE

The audit committee of the Company comprises four members, namely Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin, all being independent non-executive Directors. It has reviewed the accounting principles and standards adopted by the Group and has discussed and reviewed the risk management and internal control and reporting matters. The audit committee has also reviewed with the management the condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

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BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. Cheng Ming Kit, Mr. Hung Tao and Mr. Li Weiqi; the non-executive Director is Mr. Zhi Xiaoye and the independent non-executive Directors are Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin.

By order of the Board
Beijing Gas Blue Sky Holdings Limited
Cheng Ming Kit
Co-Chairman

Hong Kong, 28 August 2019