



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 2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit (*re-designated as non-executive Director and Deputy Chairman of the Board on 6 July 2020*)

Mr. Hung Tao (*resigned on 6 July 2020*)

Mr. Li Weiqi (*Chief Executive Officer*)
(*appointed on 6 July 2020*)

Mr. Jin Qiang

Ms. Yang Fuyan (*Chief Financial Officer*)
(*appointed on 6 July 2020*)

Mr. Ye Hongjun (*appointed on 6 July 2020*)

Non-executive Directors

Mr. Zhi Xiaoye (*Chairman of the Board*)

Mr. Cheng Ming Kit (*Deputy Chairman of the Board*)
(*re-designated on 6 July 2020*)

Independent Non-executive Directors

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Ma Arthur On-hing

Mr. Pang Siu Yin (*resigned on 6 July 2020*)

Mr. Cui Yulei (*appointed on 6 July 2020*)

Ms. Hsu Wai Man Helen (*appointed on 6 July 2020*)

COMMITTEE MEMBERS

Audit Committee

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Ma Arthur On-hing

Mr. Pang Siu Yin (*resigned on 6 July 2020*)

Mr. Cui Yulei (*appointed on 6 July 2020*)

Ms. Hsu Wai Man Helen (*Chairman*)
(*appointed as member on 6 July 2020 and appointed as Chairman on 31 August 2020*)

Remuneration Committee

Mr. Ma Arthur On-hing

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Pang Siu Yin (*resigned on 6 July 2020*)

Mr. Cui Yulei (*Chairman*)

(*appointed as member on 6 July 2020 and appointed as Chairman on 31 August 2020*)

Ms. Hsu Wai Man Helen (*appointed on 6 July 2020*)

Nomination Committee

Mr. Zhi Xiaoye (*Chairman*)

(*appointed on 31 August 2020*)

Mr. Ma Arthur On-hing

Mr. Lim Siang Kai

Mr. Wee Piew

Mr. Cheng Ming Kit

(*ceased to be a member on 31 August 2020*)

Mr. Pang Siu Yin (*resigned on 6 July 2020*)

Mr. Cui Yulei (*appointed on 6 July 2020*)

Ms. Hsu Wai Man Helen (*appointed on 6 July 2020*)

AUTHORISED REPRESENTATIVES

Mr. Ko Chi Ho

Mr. Hung Tao (*resigned on 6 July 2020*)

Mr. Jin Qiang (*appointed on 6 July 2020*)

COMPANY SECRETARY

Mr. Ko Chi Ho

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Room 1411, 14th Floor,
New World Tower I,
16-18 Queen's Road Central,
Hong Kong

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

Mazars CPA Limited
Certified Public Accountants
42nd Floor,
Central Plaza, 18 Harbour Road,
Wanchai, 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 refuelling 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 is proactively expanding its business layout across the country and fully gets 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 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	5	1,212,557	1,882,630
Cost of sales		(1,098,550)	(1,674,718)
Gross profit		114,007	207,912
Other gains and (losses)	7	4,150	5,327
Other income	8	22,398	17,869
Reversal of impairment losses on financial assets		27,622	41,132
Administrative expenses		(116,097)	(125,928)
Other expenses		(7,357)	(5,820)
Finance costs	9	(106,170)	(136,399)
Share of profit of associates		120,294	159,302
Share of loss of joint ventures		(2,419)	(1,090)
Gain arising from acquisition of a subsidiary		31,017	–
Profit before income tax	10	87,445	162,305
Income tax expenses	11	(5,981)	(2,194)
Profit for the period		81,464	160,111
Other comprehensive (loss)/income			
Item that is reclassified or may be reclassified subsequently to profit or loss:			
Exchange difference arising on consolidation		(183,903)	(148,386)
Item that will not be reclassified to profit or loss:			
Fair value changes in financial assets at fair value through other comprehensive income ("FVTOCI")		4,302	(325)
		(179,601)	(148,711)
Total comprehensive (loss)/income for the period		(98,137)	11,400

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
Note		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
		63,914	134,346
		17,550	25,765
		81,464	160,111
Total comprehensive (loss)/income for the period attributable to:			
		(79,057)	(17,285)
		(19,080)	28,685
		(98,137)	11,400
Earnings per share			
	13		
		HK0.49 cents	HK1.03 cents
		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	14	496,832	481,055
Intangible assets		1,126,910	1,162,748
Goodwill	15	1,475,408	1,475,408
Interests in associates	16	1,891,530	1,771,318
Interests in joint ventures		357,928	360,346
Deposits for acquisition of subsidiaries		893,028	772,178
Deposits for acquisition of property, plant and equipment		50,511	77,151
Prepayments and other receivables	17	42,227	45,800
Financial assets at fair value through other comprehensive income ("FVTOCI")		123,970	119,662
Right-of-use assets		235,067	222,832
Other non-current assets		300	300
		6,693,711	6,488,798
Current assets			
Inventories		144,011	54,356
Contract assets		68,108	46,606
Trade and other receivables	17	1,310,450	1,235,678
Amounts due from joint ventures		17,755	38,022
Amounts due from associates		27,936	31,344
Financial assets at fair value through profit and loss ("FVTPL")		227,767	220,234
Cash and bank balances		506,120	542,298
		2,302,147	2,168,538

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	18	568,663	466,495
Contract liabilities		166,635	173,720
Lease liabilities		34,363	35,587
Bank and other borrowings	19	2,660,693	2,167,410
Convertible bonds	20	–	373,412
Amount due to associate		987	–
		3,431,341	3,216,624
Net current liabilities		(1,129,194)	(1,048,086)
Total assets less current liabilities		5,564,517	5,440,712
Capital and reserves			
Share capital	21	714,236	714,236
Reserves		3,633,059	3,712,581
Equity attributable to owners of the Company		4,347,295	4,426,817
Non-controlling interests		145,322	144,260
Total equity		4,492,617	4,571,077
Non-current liabilities			
Amounts due to joint ventures		148,584	135,148
Lease liabilities		106,930	126,164
Bank and other borrowings	19	535,533	318,511
Deferred tax liabilities		280,853	289,812
		1,071,900	869,635
		5,564,517	5,440,712

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	FVTOCI reserve	Merger reserve	Other reserve	Translation reserve	Accumulated profit	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 income/(loss) for the period											
Item that is reclassified or may be reclassified subsequently to profit or loss:											
Exchange difference arising on consolidation	-	-	-	-	-	-	(151,306)	-	(151,306)	2,920	(148,386)
Item that will not be reclassified to profit or loss:											
Fair value changes in financial assets at FVTOCI	-	-	-	(325)	-	-	-	-	(325)	-	(325)
Total comprehensive income/(loss) for their 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
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

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	FVTOCI reserve	Merger reserve	Other reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2019 (Audited)	714,236	4,270,611	4,077	(47,317)	(43,048)	(37,597)	(715,452)	281,307	4,426,817	144,260	4,571,077
Profit for the period	-	-	-	-	-	-	-	63,914	63,914	17,550	81,464
Other comprehensive income/(loss) for the period											
Item that is reclassified or may be reclassified subsequently to profit or loss:											
Exchange difference arising on consolidation	-	-	-	-	-	-	(147,273)	-	(147,273)	(36,630)	(183,903)
Item that will not be reclassified to profit or loss:											
Fair value changes in financial assets at FVTOCI	-	-	-	4,302	-	-	-	-	4,302	-	4,302
Total comprehensive income/(loss) for their period	-	-	-	4,302	-	-	(147,273)	63,914	(142,971)	(36,630)	(179,601)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	20,142	20,142
Appropriation of statutory reserve	-	-	-	-	-	(465)	-	-	(465)	-	(465)
At 30 June 2020 (Unaudited)	714,236	4,270,611	4,077	(43,015)	(43,048)	(38,062)	(862,725)	345,221	4,347,295	145,322	4,492,617

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash (used in)/from operating activities	(77,234)	99,182
Net cash used in investing activities	(134,939)	(316,210)
Cash flow from financing activities		
Borrowing raised, net of transaction costs	1,834,627	770,078
Repayment of lease liabilities and bank and other borrowings	(1,140,211)	(437,982)
Redemption of convertible bonds	(412,344)	–
Other financing cash flows (net)	38,099	4,422
Net cash from financing activities	320,171	336,518
Net increase in cash and cash equivalents	107,998	119,490
Cash and cash equivalents at the beginning of period	542,298	281,604
Effect of foreign exchange rate changes	(144,176)	89,217
Cash and cash equivalents at the end of period	506,120	490,311

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.

Going concern

At 30 June 2020, the current liabilities of the Group exceeded its current assets by approximately HK\$1,129,194,000 (31 December 2019: net current liabilities HK\$1,048,086,000).

At 30 June 2020, the Group had unutilised banking facilities in aggregate of approximately HK\$620,056,000 (31 December 2019: HK\$100,977,000). Subsequent to 30 June 2020, the Group is granted with additional bank facilities in aggregate of approximately HK\$1,340,000,000 (31 December 2019: HK\$1,087,500,000). In addition, the management of the Group has prepared the Group’s cash flow projections covering a period of not less than twelve months from 30 June 2020. Based on the cash flow projections, the management of the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2020. The management has made key assumptions on the projections with regard to the anticipated cash flows from the Group’s operations, capital expenditures and the continuous availability of bank facilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

Going concern (Continued)

The management of the Company is of the opinion that, taking into account the confirmed credit commitments from financial institutions, existing internal financial resources and the cash flow projections of the Group, the Group has sufficient working capital for its present requirements. Hence, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019.

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 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IAS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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 IAS 1 and IAS 8 Definition of Material

3.1.1 Key changes in accounting policies resulting from application of IAS 1 and IAS 8

The amendments provide a new definition of material that states “information is material if omitting misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.1 Impacts and changes in accounting policies of application on IAS 1 and IAS 8 Definition of Material (Continued)

3.1.1 Key changes in accounting policies resulting from application of IAS 1 and IAS 8 (Continued)

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Impact and changes in accounting policies of application on IAS 3 Definition of Business

3.2.1 Key changes in accounting policies resulting from application of IAS 3

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ACCOUNTING POLICIES (Continued)

3.3 Impact and changes in accounting policies of application on IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

3.3.1 Key changes in accounting policies resulting from application of IFRS 9, IAS 39 and IFRS 7

Hedge accounting

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the amount of accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3.3.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

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

(i) Disaggregation of revenue from contracts with customers

Segment	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Types of the sale channels and nature of goods and services rendered		
Natural gas refueling station		
Liquified natural gas ("LNG")	12,094	41,982
Compressed natural gas ("CNG")	29,251	37,091
	41,345	79,073
Trading and distribution of natural gas		
LNG	432,651	1,176,072
CNG	5,246	1,830
Fuel oil and other related oil by-products	248,559	81,057
	686,456	1,258,959
Direct supply		
LNG	152,089	79,186
City Gas, pipeline construction fee, value-added services and others		
LNG	4,608	112,296
CNG	195,027	241,067
Pipeline construction fee	127,997	50,154
Other related products	5,035	61,895
	332,667	465,412
Total	1,212,557	1,882,630
Timing of revenue recognition		
A point in time	1,084,560	1,832,476
Over time	127,997	50,154
Total	1,212,557	1,882,630

All the revenue from customers are derived from the PRC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Natural gas refueling station/trading and distribution of natural gas/direct LNG supply

For CNG and LNG refueling stations for vehicles, distributing and trading of CNG and LNG as a wholesaler to industrial and commercial users and direct supply of LNG 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 direct LNG supply and 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)

(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	
	2020	2019
	HK\$'000	<i>HK\$'000</i>
Natural gas refueling station	41,345	79,073
Trading and distribution of natural gas	686,456	1,258,959
Direct LNG supply	152,089	79,186
City Gas, value-added service and others	204,670	415,258
Pipeline construction fee	127,997	50,154
	1,212,557	1,882,630

6. SEGMENT REPORTING

Information reported to the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on sales channel and nature of the goods being sold or services rendered. 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.

During the period, as a result of the restructure of internal information reporting purposes, the Group has determined that there are four reportable segments under IFRS 8 which are set out below. The comparative figures have been restated accordingly.

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, fuel oil and other related oil by products as a wholesaler to industrial and commercial users.
3. Direct LNG supply – distributing LNG to industrial and commercial users through direct supply facilities.
4. 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. Share of result of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment.

**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 2020

	Natural gas for transportation <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	Direct LNG Supply <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	41,345	686,456	152,089	332,667	1,212,557
Inter-segment sales	-	88,006	-	26,015	114,021
	41,345	774,462	152,089	358,682	1,326,578
Segment profit	2,049	31,350	6,480	152,468	192,347
Other income and other gains and losses					26,548
Central corporate expenses					(56,297)
Finance costs					(106,170)
Gain arising from acquisition of a subsidiary					31,017
Profit before income tax					87,445

Profit before income tax for the six months ended 30 June 2020 consists of a gain from acquisition of 100% equity interest in Golden Scenery International Limited, at a cash consideration of USD1 (the "Golden Scenery Acquisition") from an independent third party. The Golden Scenery Acquisition results in a gain on acquisition of a subsidiary of HK\$31.0 million.

Inter-segment sales are charged at prevailing market rates.

**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 2019

	Natural gas for transportation <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	Direct LNG Supply <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	79,186	465,412	1,882,630
Inter-segment sales	–	88,982	–	–	88,982
	79,073	1,347,941	79,186	465,412	1,971,612
Segment profit	3,519	60,681	846	284,659	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

Inter-segment sales are charged at prevailing market rates.

**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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Natural gas refueling station	932,079	905,339
Trading and distribution of natural gas	146,339	139,198
Direct LNG supply	934,694	812,112
City gas, pipeline construction fee, value-added service and others	5,497,774	5,480,345
Total segment assets	7,510,886	7,336,994
Prepayment	3,149	6,722
Financial assets at FVTOCI	123,970	119,662
Cash and bank balances	506,120	542,298
Property, plant and equipment for corporate use	3,310	4,572
Financial assets at FVTPL	227,767	220,234
Other unallocated assets	613,029	415,418
Right-of-use assets for corporate use	7,627	11,436
Consolidated assets	8,995,858	8,657,336

Segment liabilities

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Natural gas refueling station	43,969	50,688
Trading and distribution of natural gas	49,438	15,606
Direct LNG supply	192,308	223,476
City gas, pipeline construction fee, value-added service and others	966,672	912,420
Total segment liabilities	1,252,387	1,202,190
Convertible bonds	-	373,412
Bank and other borrowings	3,196,226	2,485,921
Unallocated lease liabilities	46,665	11,753
Other unallocated liabilities	7,963	12,983
Consolidated liabilities	4,503,241	4,086,259

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 FVTPL, financial assets at FVTOCI, prepayment, cash and bank balances, and property, plant and equipment for corporate use, right-of-use assets for corporate use and other unallocated assets); and
- all liabilities are allocated to operating and reportable segments (convertible bonds, bank and other borrowings, unallocated lease liabilities and other unallocated liabilities).

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

7. OTHER GAINS AND (LOSSES)

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net exchange gains	95	7,172
Change in fair value of financial assets mandatorily measured at FVTPL		
– Held for trading	–	193
– Others	830	(2,701)
Change in fair value of embedded derivatives at FVTPL	–	(697)
Government grants	3,225	1,360
	4,150	5,327

8. OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income	17,894	11,722
Gas appliances income	560	2,258
Rental income	44	190
Sundry income	3,900	3,699
	22,398	17,869

**NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

9. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Finance charge on lease liabilities	3,400	6,779
Interests on bank borrowings	32,001	6,011
Interests on other borrowings	28,247	42,407
Interests on convertible bonds	42,522	81,202
	106,170	136,399

10. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets	35,838	35,641
Cost of inventories recognised as expense	1,002,344	1,572,810
Depreciation of property, plant and equipment	24,890	27,268
Depreciation of right-of-use assets	10,197	6,507
Employee benefit expenses		
– Salaries and allowance	69,417	40,883
– Contribution to defined contribution plans	5,442	11,832
	74,859	52,715

11. INCOME TAX EXPENSES

No Hong Kong profits tax has been provided for the six months ended 30 June 2020 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 2019: 25%).

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
PRC corporate income tax	(14,940)	(11,104)
Deferred tax	8,959	8,910
Total income tax expenses	(5,981)	(2,194)

**NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

12. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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	
	2020	2019
	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	63,914	134,346
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	12,986,114,715	12,986,114,715
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	N/A	N/A
Convertible bonds issued by the Company	N/A	N/A
	N/A	N/A
Weighted average number of ordinary shares for the purpose of		
diluted earnings per share	12,986,114,715	12,986,114,715

The computation of diluted earnings per share for the six months ended 30 June 2020 does not assume the conversion of the Company's outstanding convertible bonds and share options (30 June 2019: convertible bonds and share options) 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 2020, the Group has an addition of property, plant and equipment with a cost of HK\$43,621,000 (six months ended 30 June 2019: HK\$43,951,000). During the six months ended 30 June 2020, HK\$26,644,000 plant and equipment acquired on acquisition of a subsidiary (six months ended 30 June 2019: HK\$27,580,000).

15. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 January 2019	1,139,731
Acquisition of subsidiaries	355,677
At 31 December 2019 and 1 January 2020 (audited) and 30 June 2020 (unaudited)	1,475,408

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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Carrying amounts of the Group's interests in associates	1,891,530	1,771,318

**NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

17. TRADE AND OTHER RECEIVABLES

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables		338,708	408,592
Less: allowance of credit losses		(20,060)	(47,690)
Trade receivables – net	(a)	318,648	360,902
Prepayments	(b)	372,341	307,148
Loan and bond receivables	(c)	438,961	406,186
Other receivables	(d)	222,727	207,242
		1,352,677	1,281,478
Analysed for reporting purpose as:			
Non-current portion		42,227	45,800
Current portion		1,310,450	1,235,678
		1,352,677	1,281,478

Notes:

- (a) As at 30 June 2020 and 31 December 2019, trade receivables from contracts with customers amounted to HK\$318,648,000 and HK\$360,902,000 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 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 – 90 days	127,227	333,868
91 – 120 days	67,193	5,310
121 – 180 days	24,228	1,648
181 – 365 days	100,000	20,076
	318,648	360,902

- (b) Prepayments mainly included prepayment for purchase of natural gas, construction and related products of approximately HK\$279,027,000 (2019: HK\$300,920,000).

**NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

17. TRADE AND OTHER RECEIVABLES (Continued)

- (c) Loan and bond receivables, net of impairment loss of HK\$1,593,000 (2019: HK\$1,593,000) at 30 June 2020 included:
- (i) Ten (2019: ten) loan receivables of approximately HK\$307,342,000 (2019: HK\$278,184,000) in total. These loan receivables are short term loan advances to independent third parties, which are unsecured, interest bearing at 4% to 12% and repayable within one year; and
- (ii) Four (2019: four) bond receivables of approximately HK\$131,619,000 (2019: HK\$128,002,000) in total. These bond receivables are redeemable within one year from independent third parties, which are unsecured and interest bearing at 10% to 18%.
- (d) Other receivables at 30 June 2020 mainly included (i) a security deposits paid to government with net carrying amount of approximately HK\$28,963,000 (2019: HK\$29,827,000) and (ii) deposits paid of approximately HK\$63,109,000 (2019: HK\$89,654,000) mainly represented deposits for crude oil trading business.

18. TRADE AND OTHER PAYABLES

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	(a)	412,624	354,788
Other payables			
Accrued charges and other creditors	(b)	117,869	89,578
Construction cost payables	(c)	38,170	22,129
		568,663	466,495

- (a) The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 – 90 days	237,129	320,055
91 – 180 days	35,571	7,850
181 – 365 days	123,099	11,481
Over 365 days	16,825	15,402
	412,624	354,788

- (b) Accrued charges and other creditors included income tax payable of approximately HK\$17,010,000 (2019: HK\$42,060,000)
- (c) The construction cost are normally due within one year from the date of recognition as set out in the agreements.

**NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

19. BANK AND OTHER BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Bank borrowings (<i>note i</i>)	1,818,556	1,229,389
Corporate bonds (<i>note ii</i>)	1,370,670	1,248,532
Other borrowings	7,000	8,000
	3,196,226	2,485,921
Carrying amount repayable:		
Within one year*	2,660,693	2,167,410
More than one year, but not exceeding two years	479,049	173,223
More than two years, but not exceeding five years	56,484	145,288
More than five years	-	-
	3,196,226	2,485,921
<i>Less:</i> Amounts due within one year or contain a repayment on demand clause shown under current liabilities	(2,660,693)	(2,167,410)
Amounts shown under non-current liabilities	535,533	318,511

* The amounts also contain a repayable on demand clauses.

Notes:

- (i) As at 30 June 2020, HK\$1,750,000,000 (2019: HK\$1,173,464,000) out of the total bank borrowing balances of approximately HK\$1,818,556,000 (2019: HK\$1,229,389,000) are denominated in HK\$.
- (ii) The additional unsecured corporate bonds issued by the Company during the six months ended 30 June 2020 were HK\$794,964,000 (2019: HK\$683,031,200). The unsecured bonds have maturity of one to eight years (2019: one to eight years) until 2024 (2019: 2024) and interest bearing at 2% to 8% (2019: 0.8% to 8%) per annum. Transaction costs of approximately HK\$32,157,500 (2019: HK\$59,077,000) have been incurred and the corporate bonds carry effective interest at 3.62% (2019: 4.49%) per annum.

**NOTES TO THE UNAUDITED CONDENSED
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20. CONVERTIBLE BONDS

	<i>Notes</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Convertible Bond I	a	–	194,105
Convertible Bond II	b	–	179,307
		–	373,412
Carrying amount repayable:			
Within one year		–	373,412
More than one year, but not exceeding two years		–	–
		–	373,412
Analysed for reporting purposes as:			
Current portion		–	373,412
		–	373,412

(a) Convertible Bond I

On 4 May 2017, 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 issue date of 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 106% of the principal amount.

The Convertible Bond I contain liability component and conversion option. The functional currency of the Company is RMB, 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.

The Company had fully redeemed the Convertible Bond I in March 2020.

**NOTES TO THE UNAUDITED CONDENSED
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20. CONVERTIBLE BONDS (Continued)

(b) Convertible Bond II

On 26 June 2018, the Company issued HK\$180,000,000, 2% convertible bond (the “**Convertible Bond II**”). The Convertible Bond II will mature on the date falling on the second anniversary of the issue date of Convertible Bond II 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 II. 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 II 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 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.

The Company had fully redeemed the Convertible Bond II in June 2020.

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.055 each		
Authorised:		
At 31 December 2019 and 30 June 2020	91,000,000,000	5,005,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	12,986,114,715	714,236

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

**NOTES TO THE UNAUDITED CONDENSED
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22. COMMITMENTS

Capital commitments

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted but not provided for:		
– property, plant and equipment	1,645	2,603

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Finance cost related to finance lease obligation with a joint venture (<i>note a</i>)	–	2,191
Purchases of goods (<i>note b</i>)	2,048	2,243
Key management personnel		
Short-term employee benefits	6,089	6,531
Post-employment benefits	220	193
Key management personnel remuneration	6,309	6,724

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

24. PLEDGE OF ASSETS

As at 30 June 2020, certain plant and equipment of HK\$20,227,000 were pledged under finance leases (31 December 2019: HK\$27,056,000).

25. SUBSEQUENT EVENTS

On 3 July 2020, the Company entered into the share purchase agreements with SK E&S HongKong Corporation Limited, a subsidiary of SK E&S, pursuant to which the Company agreed to sell 30% equity interest (the “**Disposals**”) in Ningbo Beilun Bochen Energy Trading Co., Ltd., Huzhou Bochen Natural Gas Co., Ltd. and Zhejiang Boxin Energy Co., Ltd. (the “**Target Companies**”) at a consideration of RMB129.0 million in total. Moreover, the Joint Venture Agreements was entered by both parties in relation to the operation and management matters of the Target Companies upon completion of the Disposals.

On the same day, the Company entered into the LNG Agreement with Prism Zhoushan, an indirectly wholly-owned subsidiary of SK E&S, pursuant to which the Company agrees to purchase LNG for a term of ten years. Upon completion of the Disposals, the SK E&S HongKong Corporation Limited will become the substantial shareholder of the Target Companies and therefore Prism Zhoushan will become a connected person of the Company.

On 7 August 2020, the Company and Beijing Gas Singapore entered into the sales contract, pursuant to which Beijing Gas Singapore agreed to purchase 26,000 MTS of mono ethylene glycol from the Company at a total consideration of USD11,440,000.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Affected by COVID-19 pandemic in the first half of 2020, global economic activities weakened and energy consumption was sluggish. China's natural gas market operated with a weak trend on the whole. In the first half of 2020, the apparent consumption of natural gas reached 155.61 billion cubic meters, representing a year-on-year increase of 4.0%; production of natural gas amounted to 94.96 billion cubic meters, representing a year-on-year increase of 9.9%; import of natural gas hit 66.74 billion cubic meters, representing a year-on-year increase of 3.3%. Influenced by this, natural gas business of the Group experienced a certain extent of decline. For the six months ended 30 June 2020 ("HY2020"), the Group's gas sales volume decreased by 34.4% as compared to the corresponding period of last year to 342.0 million cubic meters (HY2019: 521.5 million cubic meters), while sales income decreased by 35.6% as compared to the corresponding period of last year to HK\$1,212.6 million (HY2019: HK\$1,882.6 million), which was due to a decrease in gas sales volume and terminal selling price caused by the decline in natural gas demand. The gross profit decreased by 45.2% as compared to the corresponding period of last year to HK\$114.0 million (HY2019: HK\$207.9 million) with gross profit margin recording a year-on-year decrease of 9.4% (HY2019: 11.0%), mainly due to (i) decline in sales, (ii) drop in the gross profit margin for LNG trading business which accounts for a larger proportion of the sales and thus lowered the overall gross profit margin. In terms of expenses, the Group made good progress in its measure aiming to reduce cost and improve efficiency. In the first half of the year, administrative expenses decreased by 7.8% as compared to the corresponding period of last year to HK\$116.1 million (HY2019: HK\$125.9 million), because the Group optimized its organization structure and imposed strict control on expense to realize a year-on-year decrease in all administrative expenses. Finance cost decreased by 22.1% as compared to the corresponding period of last year to HK\$106.2 million (HY2019: HK\$136.4 million), and the overall finance cost phenomenally recorded a year-on-year decrease even though the overall interest-bearing liabilities increased because the Group made active effort to optimize financing structure with the assistance from its controlling shareholder, and convertible bonds with higher financial cost were all paid off as of 30 June 2020, which resulted in increase in proportion of borrowing from commercial banks with lower financial cost. Net profit decreased by 49.1% as compared to the corresponding period of last year to HK\$81.5 million (HY2019: HK\$160.1 million), because apart from decline in sales income and gross profit margin, revenue from the associate Jingtang also decreased as compared to the corresponding period of last year.

As at 30 June 2020, the Group's natural gas projects covered a total of 17 provinces, cities and autonomous regions in the PRC, namely Liaoning, Jilin, Hebei, Beijing, Shandong, Shanxi, Shannxi, Ningxia Autonomous Region, Shanghai, Jiangsu, Anhui, Zhejiang, Guizhou, Hubei, Guangdong, Guangxi, and Hainan.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's major natural gas projects:

Project Location	LNG/CNG refueling station												Trading and distribution						LNG throughput						Subtotal		Total	
	As of June			City gas			Direct supply			As of June			As of June			As of June			As of June			As of June		As of June				
	No. of station	Sales volume (m ³)	Sales volume (%)	Sales volume (m ³)	Sales volume (%)	Sales volume (m ³)	Sales volume (%)	Sales volume (m ³)	Sales volume (%)	Sales volume (m ³)	Sales volume (%)	Sales volume (m ³)	Sales volume (%)	Gasification volume (m ³)	Gasification volume (%)	Unloading volume (m ³)	Unloading volume (%)	Subtotal sales volume (m ³)	Subtotal sales volume (%)	Subtotal sales volume (m ³)	Subtotal sales volume (%)	Subtotal throughput (m ³)	Subtotal throughput (%)	Total volume (m ³)	Total volume (%)			
Subsidiaries	1	307,728	1.4%	1,305,826	1.9%	-	0.0%	-	0.0%	1,616,354	0.4%	-	0.0%	-	0.0%	-	0.0%	1,616,354	0.4%	-	0.0%	-	0.0%	1,616,354	0.1%			
Shandong Province	1	557,350	2.5%	-	0.0%	-	0.0%	3,028,219	1.4%	3,585,569	1.0%	-	0.0%	-	0.0%	-	0.0%	3,585,569	1.0%	-	0.0%	-	0.0%	3,585,569	0.1%			
Guizhou Province	2	1,049,056	4.7%	-	0.0%	1,455,595	2.8%	-	0.0%	2,504,651	0.7%	-	0.0%	-	0.0%	-	0.0%	2,504,651	0.7%	-	0.0%	-	0.0%	2,504,651	0.1%			
Guangdong Province	-	-	0.0%	-	0.0%	7,297,921	14.0%	-	0.0%	7,297,921	2.0%	-	0.0%	-	0.0%	-	0.0%	7,297,921	2.0%	-	0.0%	-	0.0%	7,297,921	0.2%			
Anhui Province	-	-	0.0%	-	0.0%	3,052,000	5.8%	-	0.0%	56,783,312	15.6%	-	0.0%	-	0.0%	-	0.0%	56,783,312	15.6%	-	0.0%	-	0.0%	56,783,312	1.9%			
Hubei Province	4	5,032,103	22.5%	-	0.0%	1,987,570	3.8%	-	0.0%	7,029,673	1.9%	-	0.0%	-	0.0%	-	0.0%	7,029,673	1.9%	-	0.0%	-	0.0%	7,029,673	0.2%			
Beijing city	-	-	0.0%	-	0.0%	-	0.0%	2,873,912	1.3%	2,873,912	0.8%	-	0.0%	-	0.0%	-	0.0%	2,873,912	0.8%	-	0.0%	-	0.0%	2,873,912	0.1%			
Zhejiang Province	-	-	0.0%	-	0.0%	38,480,956	73.6%	78,961,455	36.3%	117,442,412	32.3%	-	0.0%	-	0.0%	-	0.0%	117,442,412	32.3%	-	0.0%	-	0.0%	117,442,412	4.1%			
Shanxi Province	-	-	0.0%	-	0.0%	-	0.0%	3,100,776	1.4%	3,100,776	0.8%	-	0.0%	-	0.0%	-	0.0%	3,100,776	0.8%	-	0.0%	-	0.0%	3,100,776	0.1%			
Hubei Province	-	-	0.0%	-	0.0%	-	0.0%	22,870,614	10.3%	22,870,614	6.4%	-	0.0%	-	0.0%	-	0.0%	22,870,614	6.4%	-	0.0%	-	0.0%	22,870,614	0.8%			
Jilin Province	1	1,058,856	4.8%	17,540,991	24.8%	-	0.0%	-	0.0%	18,609,847	5.2%	-	0.0%	-	0.0%	-	0.0%	18,609,847	5.2%	-	0.0%	-	0.0%	18,609,847	0.6%			
Shanxi Province	7	3,350,949	14.9%	47,855,331	67.7%	-	0.0%	-	0.0%	51,216,280	14.1%	-	0.0%	-	0.0%	-	0.0%	51,216,280	14.1%	-	0.0%	-	0.0%	51,216,280	1.8%			
Guangxi Province	-	-	0.0%	-	0.0%	-	0.0%	6,056,048	2.7%	6,056,048	1.7%	-	0.0%	-	0.0%	-	0.0%	6,056,048	1.7%	-	0.0%	-	0.0%	6,056,048	0.2%			
Ningxia Autonomous	-	-	0.0%	-	0.0%	-	0.0%	9,530,242	4.4%	9,530,242	2.6%	-	0.0%	-	0.0%	-	0.0%	9,530,242	2.6%	-	0.0%	-	0.0%	9,530,242	0.3%			
Shanghai city	-	-	0.0%	-	0.0%	-	0.0%	31,305,547	14.4%	31,305,547	8.6%	-	0.0%	-	0.0%	-	0.0%	31,305,547	8.6%	-	0.0%	-	0.0%	31,305,547	1.1%			
	16	11,366,052	50.8%	66,714,946	94.4%	52,274,652	100%	211,596,105	97.1%	341,971,158	94.2%	-	0.0%	-	0.0%	-	0.0%	341,971,158	94.2%	-	0.0%	-	0.0%	341,971,158	11.7%			
Associates	8	9,083,233	40.5%	-	0.0%	-	0.0%	6,237,200	2.9%	15,320,433	4.2%	-	0.0%	-	0.0%	-	0.0%	15,320,433	4.2%	-	0.0%	-	0.0%	15,320,433	0.5%			
Anhui Province	3	1,983,230	8.7%	-	0.0%	-	0.0%	32,438	0.0%	1,983,728	0.5%	-	0.0%	-	0.0%	-	0.0%	1,983,728	0.5%	-	0.0%	-	0.0%	1,983,728	0.1%			
Hubei Province	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	2,084,780,648	100.0%	472,026,055	100.0%	2,556,788,703	100.0%	2,556,788,703	100.0%	2,556,788,703	87.6%					
	11	11,066,523	49.2%	-	0.0%	-	0.0%	6,269,638	2.9%	17,316,161	4.7%	2,084,780,648	100.0%	472,026,055	100.0%	472,026,055	100.0%	2,556,788,703	100.0%	2,556,788,703	100.0%	2,556,788,703	100.0%	2,574,044,684	86.2%			
Joint Ventures	-	-	0.0%	3,947,089	5.6%	-	0.0%	-	0.0%	3,947,089	1.1%	-	0.0%	-	0.0%	-	0.0%	3,947,089	1.1%	-	0.0%	-	0.0%	3,947,089	0.1%			
	-	-	0.0%	3,947,089	5.6%	-	0.0%	-	0.0%	3,947,089	1.1%	-	0.0%	-	0.0%	-	0.0%	3,947,089	1.1%	-	0.0%	-	0.0%	3,947,089	0.1%			
	27	22,432,575	100%	70,662,037	100%	52,274,652	100%	217,865,744	100%	363,234,408	100%	2,084,780,648	100%	472,026,055	100%	472,026,055	100%	2,556,788,703	100%	2,556,788,703	100%	2,556,788,703	100%	2,920,023,111	100%			

* As at 30 June 2020, the Group owns a total of 27 refueling stations.

MANAGEMENT DISCUSSION AND ANALYSIS

CITY GAS BUSINESS

As at 30 June 2020, the Group had 8 city gas concession rights. During the period, an additional city gas concession right located in Jilin Chagan Lake Ecological Town was granted. In the first half of the year, the Group connected gas pipelines for 24,990 new users and the cumulative number of users reached 502,433, of which 24,901 were new residential users and the cumulative number of residential users reached 499,850. The natural gas sold to residential users amounted to 36.2 million cubic meters (HY2019: 35.7 million cubic meters). The Group secured 89 new industrial and commercial users and the cumulative number reached 2,583 with natural gas sold to industrial and commercial users reaching 30.5 million cubic meters (HY2019: 51.9 million cubic meters). The gas sales volume of city gas projects of the Group was 66.7 million cubic meters (HY2019: 87.6 million cubic meters) during the period, representing a decrease of 23.9% as compared to the corresponding period of last year. The Group recorded a sales income of HK\$332.7 million (HY2019: HK\$465.4 million), representing a decrease of 28.5% as compared to the corresponding period of last year, of which income from connection projects increased by 155.0% as compared to the corresponding period of last year to HK\$128.0 million (HY2019: HK\$50.2 million). Among the city gas consumption combination, residential gas consumption recorded a year-on-year increment, while the non-residential gas consumption in contrast, experienced a year-on-year decline, the major reason is due to the impact of COVID-19 pandemic, residents stayed at home for longer period and resumption of production activities were postponed.

DIRECT LNG SUPPLY BUSINESS

During HY2020, gas sales volume of direct supply business increased significantly by 132.4% as compared to the corresponding period of last year to 52.3 million cubic meters (HY2019: 22.5 million cubic meters), and sales income increased by 92.0% as compared to the corresponding period of last year to HK\$152.1 million (HY2019: HK\$79.2 million). Benefiting from low and stable prices in LNG market in the first half of the year, LNG is more cost effective than other energies and pipeline natural gas, thus downstream end users, including direct supply industrial users and city gas users, had increasing intention to replace or a growing demand to increase the LNG supply. As such, the Group seized opportunities to attract new users. In the first half of the year, the Group put 2 new direct supply projects into production and restarted 2 old projects. As of 30 June 2020, the Group had 35 direct supply projects. During COVID-19 pandemic period, as most of the direct supply projects of the Group are located in the East China where downstream enterprises consuming gas resumed their work and production quickly with slight influence from the pandemic, the overall gas sales volume and income did not decrease but grew.

GAS REFUELING STATION BUSINESS

In HY2020, the Group owned 27 gas refueling stations, including 16 CNG refueling stations and 11 LNG refueling stations, with gas sales volume of 11.4 million cubic meters (HY2019: 17.1 million cubic meters). The Group recorded a sales income of HK\$41.3 million (HY2019: HK\$79.1 million), representing a decrease of 47.8% as compared to the corresponding period of last year, gas refueling station business experienced a drop mainly because demand from transportation industry weakened under the pandemic. The Group will develop regional LNG refueling stations based on its layout of the whole LNG industrial chain in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING AND DISTRIBUTION OF NATURAL GAS BUSINESS

In HY2020, gas sales volume of trading and distribution of natural gas business amounted to 211.6 million cubic meters (HY2019: 394.2 million cubic meters), representing a decrease of 46.3% as compared to the corresponding period of last year; sales income reached HK\$686.5 million (HY2019: HK\$1,259.0 million), representing a decrease of 45.5% as compared to the corresponding period of last year; Affected by COVID-19 pandemic in the first half of the year, supply in LNG market was adequate with fierce competition in prices. As such, the Group paid greater attention to the quality of trading business, and only retained key trading projects involving its layout of the whole LNG industrial chain to reduce the damage of low gross profit to the overall profit and cash flow of the Group, thus the business of this segment experienced a decline as compared to the corresponding period of last year.

LNG RECEIVING TERMINAL PROJECTS

PetroChina Jingtang (Caofeidian Jingtang Receiving Terminal)

In HY2020, the total throughput volume of LNG of Caofeidian Jingtang Receiving Terminal amounted to 2,556.8 million cubic meters, of which the gas volume transported to pipelines through gasification was 2,084.8 million cubic meters while the gas transportation volume of a tank truck was 472.0 million cubic meters. The throughput volume of LNG of Caofeidian Jingtang Receiving Terminal declined mainly because the total import volume of LNG of the receiving terminal decreased due to sluggish demand in the industry.

Financial Review

Revenue

Revenue decreased by 35.6% from HK\$1,882.6 million for the period ended 30 June 2019 to HK\$1,212.6 million for the period ended 30 June 2020, mainly due to the consequence of global COVID-19 pandemic and related economic disruption.

Gross Profit and Segment Profit

The Group recorded gross profit of HK\$114.0 million for the period ended 30 June 2020 which decreased by HK\$93.9 million from HK\$207.9 million for the period ended 30 June 2019, which was mainly due to decrease in gross profit arising from refueling stations and trading and distribution of natural gas business.

Segment profit decreased by 45.0% from HK\$349.7 million for the period ended 30 June 2019 to HK\$192.3 million for the period ended 30 June 2020, which was mainly due to the decrease in gas demand on refueling stations and trading and distribution of natural gas business.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation decreased from HK\$368.1 million for the period ended 30 June 2019 to HK\$264.5 million for the period ended 30 June 2020. It was resulted by the lockdown policy from the government in order to terminate the COVID-19 spread, which affected the refueling stations and trading and distribution natural gas business.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK\$23.2 million for the period ended 30 June 2019 to HK\$26.5 million for the period ended 30 June 2020, which was mainly due to the increase in interest income by HK\$6.2 million.

Operating expenses

(a) Administrative expenses

The administrative expenses decreased by 7.8% from HK\$125.9 million for the period ended 30 June 2019 to HK\$116.1 million for the period ended 30 June 2020. It was mainly due to the decrease in corporate bond's commission expenses by HK\$18.3 million.

(b) Other expenses

Other expenses increased by 27.6% from HK\$5.8 million for the period ended 30 June 2019 to HK\$7.4 million for the period ended 30 June 2020, which was mainly due to the increase in bank charges by HK\$1.8 million.

(c) Finance costs

Finance costs decreased from HK\$136.4 million for the period ended 30 June 2019 to HK\$106.2 million for the period ended 30 June 2020 which was mainly due to the decrease in interests on convertible bonds by HK\$38.7 million.

(d) Income tax expense

Income tax expense was calculated at the applicable tax rates on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the period ended 30 June 2019 and 2020 respectively.

Income tax expenses of HK\$6.0 million for the period ended 30 June 2020 represented the current taxation arising from the PRC subsidiaries of HK\$15.0 million and the deferred tax credit of HK\$9.0 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\$63.9 million for the period ended 30 June 2020, representing an decrease by HK\$70.4 million from the period ended 30 June 2019.

Acquisition of a subsidiary

On 26 June 2020, the Company entered into a sale and purchase agreement, pursuant to which the Company acquired 100% equity interests in Golden Scenery International Limited, at a cash consideration of USD1 (the "Golden Scenery Acquisition") from an independent third party. The Golden Scenery Acquisition resulted in a gain on acquisition of a subsidiary of HK\$31.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Looking ahead to the second half of the year, the overall economic environment of domestic market are gradually recovering and demands for natural gas will increase steadily as the impact of COVID-19 pandemic weakens. The year 2020 is the final year for the 13th Five-Year Plan and the “Blue Sky Three-year Defensive plan”. As a clean and environmentally friendly source of energy, natural gas receives great support from several national policies, so it is highly possible that it will grow in the long term with great probability for restorative growth in the short term. Consumption of natural gas in the second half of 2020 is expected to grow faster than that in the first half of the year. As China Oil and Gas Pipeline Network Group implemented several projects, market-oriented reform in natural gas industry will yield important development in the second half of the year, further boosting growth in consumption and promoting long-term healthy development for natural gas industry. It is expected that China Oil and Gas Pipeline Network Group will be put into service in this winter, a season requiring heat supply, thus the Group will also pay great attention to market opportunities brought by such change.

In the second half of the year, the Group will continue to implement the development strategy of “city gas+LNG”, and seek city gas project both at home and abroad so as to seize opportunities for acquisition and merger. The Group will keep improving LNG industrial chain, and make great effort to develop businesses with great advantages in the whole LNG industrial chain. Benefiting from the historically low prices in LNG market, the downstream end market is filled with greater opportunities for expansion than previous years, and the Group is negotiating on several quality projects currently. On 3 July 2020, the Group entered into share purchase agreements with SK E&S, pursuant to which, both parties will conduct business cooperation in the East China. Levering advantages that SK E&S possesses in the whole LNG industrial chain, the Group is expected to get LNG resources with lower price and the window period for receiving terminal within Zhejiang, thus the Group can cooperate with SK E&S as the sole underwriter. In the second half of the year, the Group expects to cooperate with SK E&S for approximately 120-150 thousand tons of LNG business, further enhancing the Group’s market position and increasing its competitive strength in natural gas business.

In terms of operation, as disclosed in the announcement dated 3 July 2020, the board of directors and core management of the Company were changed, showing that Beijing Gas Group will play a greater role in daily operation and management of the Group. In the future, major shareholder will provide the Group with full support in strategic synergy, business support, investment and financing arrangement, and personnel recruitment and management to help the Group embark on a new stage in its development with greater performance to reward shareholders and investors. In the second half of the year, the Group will continue to fully implement the concept of “reducing cost while increasing efficiency” to maximize its profitability. The Group will optimize organization structure and impose strict control on expense to control administrative expenses, and improve financing structure on an ongoing basis with assistance from major shareholder to expand financing channel and enhance financing strength, so as to reduce financing cost, increase value of assets for the Company, and improve profitability.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances amounting to HK\$506.1 million as at 30 June 2020 (31 December 2019: HK\$542.3 million), a decrease by 6.7% from 31 December 2019.

The Group had total borrowings of HK\$3,487.1 million as at 30 June 2020 (31 December 2019: HK\$3,156.2 million). The Group’s leverage ratio, which is total borrowings divided by the total assets was 38.8% (2019: 36.5%).

The Group’s non-current assets increased to HK\$6,693.7 million (31 December 2019: HK\$6,488.8 million), primarily due to the increase in interests in (i) associates by HK\$120.2 million and (ii) deposits for acquisition of subsidiaries by HK\$120.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's current assets of HK\$2,302.1 million (31 December 2019: HK\$2,168.5 million), mainly comprised of trade and other receivables of HK\$1,310.5 million (31 December 2019: HK\$1,235.7 million); cash and bank balances of HK\$506.1 million (31 December 2019: HK\$542.3 million); financial assets at fair value through profit or loss of HK\$227.8 million (31 December 2019: HK\$220.2 million); inventory of HK\$144.0 million (31 December 2019: HK\$54.4 million); contract assets of HK\$68.1 million (31 December 2019: HK\$46.6 million); amounts due from associates of HK\$27.9 million (31 December 2019: HK\$31.3 million) and amounts due from joint ventures of HK\$17.7 million (31 December 2019: HK\$38.0 million).

As at 30 June 2020, the Group's current liabilities of HK\$3,431.3 million (31 December 2019: HK\$3,216.6 million), mainly comprised of bank and other borrowings of HK\$2,660.7 million (31 December 2019: HK\$2,167.4 million); trade and other payables of HK\$568.7 million (31 December 2019: HK\$466.5 million); contract liabilities of HK\$166.6 million (31 December 2019: HK\$173.7 million); lease liabilities of HK\$34.4 million (31 December 2019: HK\$35.6 million); amount due to associate of HK\$0.9 million (31 December 2019: nil) and no convertible bonds (31 December 2019: HK\$373.4 million).

As at 30 June 2020, the net current liabilities of the Group amounted to HK\$1,129.2 million (31 December 2019: net current liabilities of HK\$1,048.1 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.67 as at 30 June 2020 (31 December 2019: 0.67).

During the period ended 30 June 2020, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 30 June 2020, there were 1,025 (31 December 2019: 1,008) 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 EXCHANGES 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 utilize 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 significant 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 2020, the Group had no material contingent liabilities.

DIVIDEND

The Board did not recommend a payment of interim dividend for the period ended 30 June 2020.

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 2020, 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	118,969,824 (L)	0.92%
	Interest of controlled corporations	687,100,256 (L)	5.29%
Mr. Hung Tao (Note 3)	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 584,148,256 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 118,969,824 Shares and shall purchase up to 153,750,000 Shares upon request from an option holder. Mr. Cheng is having a right derived from an option to purchase up to 120,000,000 Shares from another option holder.
3. Mr. Hung Tao resigned as an executive Director with effect from 6 July 2020.

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%

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 2020, 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 2020, 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	584,148,256 (L)	4.50%
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	564,845,000 (L)	4.35%
	Interest of controlled corporation	213,032,000 (L)	1.64%

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 non-executive Director and Deputy 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 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 213,032,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 564,845,000 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 2020, 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 300,000 share options were lapsed. As at 30 June 2020, share options outstanding under the Scheme entitling the holders to subscribe for 48,906,720 Shares of par value HK\$0.055 each in the capital of the Company represented approximately 0.38% 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 2020:

Category of grantee	Exercise price per share option HK\$	Date of grant	Exercisable period	Number of share options as at 1 January 2020	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 2020
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
Sub-total				14,944,030	-	-	-	14,944,030
Employees								
	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	-	-	-	9,962,690
	0.660	20 July 2016	20 July 2017 to 19 July 2020	24,300,000	-	-	(300,000)	24,000,000
Sub-total				34,262,690	-	-	(300,000)	33,962,690
Total				49,206,720	-	-	(300,000)	48,906,720

OTHER INFORMATION

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

During the six months ended 30 June 2020, 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 HY2020 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 performed both the roles of co-chairman and chief executive officer of the Company during the HY2020 which was deviated from code provision A.2.1 of the CG Code. Nevertheless, subsequent to the re-designation of Mr. Cheng Ming Kit as non-executive Director and deputy chairman of the Board, he ceased to be the chief executive officer. Mr. Zhi Xiaoye has become the sole chairman of the Board and Mr. Li Weiqi has been appointed as executive Director and chief executive officer of the Company with effect from 6 July 2020.

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. Pang Siu Yin, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 23 June 2020 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 23 June 2020 due to their other business commitments.

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 2019 annual report are set out below:

- (i) Mr. Li Weiqi was appointed as an executive Director and chief executive officer of the Company on 6 July 2020.

OTHER INFORMATION

- (ii) Ms. Yang Fuyan was appointed as an executive Director and chief financial officer of the Company with effect from 6 July 2020.
- (iii) Mr. Ye Hongjun was appointed as an executive Director of the Company with effect from 6 July 2020.
- (iv) Mr. Cheng Ming Kit re-designated as a non-executive Director of the Company and deputy chairman of the Board and ceased to be co-chairman and chief executive officer with effect from 6 July 2020.
- (v) Mr. Zhi Xiaoye has become the sole chairman of the Board with effect from 6 July 2020.
- (vi) Mr. Hung Tao resigned as an executive Director and authorized representative of the Company with effect from 6 July 2020.
- (vii) Mr. Pang Siu Yin resigned as an independent non-executive Director of the Company, member of audit committee, nomination committee and remuneration committee of the Board with effect from 6 July 2020.
- (viii) Mr. Cui Yulei and Ms. Hsu Wai Man Helen were appointed as independent non-executive Directors of the Company and members of audit committee, nomination committee and remuneration committee of the Board with effect from 6 July 2020.
- (ix) Mr. Lim Siang Kai, an independent non-executive Director of the Company, ceased to be the chairman of the Audit Committee but remains as a member of the Audit Committee. Ms. Hsu Wai Man Helen, an independent non-executive Director of the Company has been appointed as the chairman of the Audit Committee, both effective on 31 August 2020.
- (x) Mr. Cheng Ming Kit, a non-executive Director of the Company, ceased to be a member of the Nomination Committee and Mr. Ma Arthur On-hing, an independent non-executive Director of the Company, ceased to be the chairman of the Nomination Committee but remains as a member of the Nomination Committee. Mr. Zhi Xiaoye, a non-executive Director of the Company, has been appointed as a member and chairman of the Nomination Committee, all effective on 31 August 2020.
- (xi) Mr. Ma Arthur On-hing, an independent non-executive director of the Company, ceased to be the chairman of the Remuneration Committee but remains as a member of the Remuneration Committee. Mr. Cui Yulei, an independent non-executive director of the Company, has been appointed as the chairman of the Remuneration Committee, both effective on 31 August 2020.
- (xii) Subsequent to the re-designation from executive Director to non-executive Director of the Company, the monthly salary of Mr. Cheng Ming Kit has been revised from HK\$250,000 to HK\$80,000 with effect from 1 September 2020.

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.

OTHER INFORMATION

DISPOSAL OF EQUITY INTEREST

On 3 July 2020, Shenzhen Feida Energy Co., Ltd. (深圳翡達能源有限公司), Shenzhen Jinzhifu Energy Co., Ltd. (深圳金置富能源有限公司) and Shenzhen Zhanding Technical Service Co., Ltd. (深圳展頂技術服務有限公司), (the “Vendors”) each being an indirect wholly-owned subsidiary of the Company, and the Company, as guarantor, entered into the share purchase agreements with SK E&S HongKong Corporation Limited (the “Purchaser”), pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire 30% equity interest in Ningbo Beilun Bochen Energy Trading Co., Ltd. (寧波北侖博臣能源貿易有限公司), Huzhou Bochen Natural Gas Co., Ltd. (湖州博臣天然氣有限公司) and Zhejiang Boxin Energy Co., Ltd (浙江博信能源有限公司) at a consideration of RMB37.5 million, RMB30.0 million and RMB61.5 million, respectively. For details, please refer to the announcement of the Company dated 3 July 2020.

CONNECTED TRANSACTION

On 7 August 2020, the Company and Beijing Gas Singapore Private Limited, an associate of Beijing Gas Company Limited (a controlling shareholder of the Company), entered into a sales contract, pursuant to which Beijing Gas Singapore Private Limited agreed to purchase 26,000 MTS of mono ethylene glycol from the Company at a total consideration of USD11,440,000 (equivalent to approximately HK\$88,660,000). Please refer to the Company’s announcement dated 7 August 2020 for details.

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 Facility has 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.

Revolving loan facility letter entered into on 8 October 2019

Pursuant to a revolving loan facility letter entered into between the Company and a bank on 8 October 2019 in relation to a revolving loan facility up to HK\$200,000,000 (the “Facility”), the Company undertakes that Beijing Gas Company Limited remains its beneficial ownership of at least 38% of the equity interest of the Company. The maturity date of the Facility shall be on 12 months after the Company’s acceptance of the Facility letter. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

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Facility agreement entered into on 2 March 2020

Pursuant to the facility agreement entered into between the Company and a bank on 2 March 2020 in relation to the 3-year facility of HK\$500,000,000 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly remains as the largest shareholder of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Uncommitted Trade Finance Facility Letter entered into on 6 March 2020

Pursuant to the uncommitted trade finance facility letter entered into between the Company and a bank on 6 March 2020 in relation to the facility of US\$50,000,000 (the “**Trade Finance Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly holds at least 40% of the issued shares of the Company. The Trade Finance Facility has 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.

Uncommitted revolving loan facility letter entered into on 9 April 2020

Pursuant to an uncommitted revolving loan facility letter entered into between the Company and a bank on 9 April 2020 in relation to a one-year uncommitted revolving loan facility up to HK\$200,000,000 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly hold at least 35% of the issued shares of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Facility Agreement entered into on 24 April 2020

Pursuant to the facility agreement entered into between the Company and a bank on 24 April 2020 in relation to a one-year loan facility of HK\$100,000,000 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly remain as the largest shareholder of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the Facility and demand immediate repayment.

Facility Letter entered into on 8 June 2020

Pursuant to the facility letter entered into between the Company and a bank on 8 June 2020 in relation to a 6-month uncommitted term loan facility of up to HK\$150,000,000 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly hold at least 35% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the Facility and demand immediate repayment.

Supplemental letter to the facility letter dated 9 August 2017 entered into on 14 August 2020

Pursuant to a supplemental letter to the facility letter entered into between the Company and a bank on 14 August 2020 in relation to the term loan facility up to a maximum principal amount of HK\$250,000,000 with maturity date on 17 August 2021 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall remain as the single largest shareholder of the Company with a minimum shareholding of 35% of the issued shares of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

OTHER INFORMATION

Syndicated Loan Facility Agreement entered into on 17 August 2020

Pursuant to the facility agreement entered into among the Company, the original mandated lead arranger and bookrunner, mandated lead arranger and bookrunner, mandated lead arrangers, lead arrangers, the lenders and the facility agent (together, the “**Finance Parties**”) on 17 August 2020 in relation to a 3-year syndicated term loan facility of HK\$890,000,000 (the “**Facility**”), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly remain as the single largest shareholder of the Company of not less than 36% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the lenders may terminate the Facility and demand immediate repayment.

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 2020.

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 five members, namely Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing, Mr. Cui Yulei and Ms. Hsu Wai Man Helen, all being independent non-executive Directors. The audit committee 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 2020.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. Li Weiqi, Mr. Jin Qiang, Ms. Yang Fuyan and Mr. Ye Hongjun; the non-executive Directors are Mr. Zhi Xiaoye and Mr. Cheng Ming Kit and the independent non-executive Directors are Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing, Mr. Cui Yulei and Ms. Hsu Wai Man Helen.

By order of the Board
Beijing Gas Blue Sky Holdings Limited
Zhi Xiaoye
Chairman

Hong Kong, 28 August 2020