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## BEIJING GAS BLUE SKY HOLDINGS LIMITED

北京燃氣藍天控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 6828)**

**(Singapore Stock Code: UQ7)**

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

#### HIGHLIGHTS OF THE INTERIM RESULTS:

- Revenue from natural gas business increased by 491.4% to HK\$681.8 million
- Total gas sales volume sold increased by 441.9% to 292.1 million cubic meters
- Profit for the period attributable to owners of the Company increased by 1,122.7% to HK\$26.9 million
- EBITDA of the Company increased by 164.5% to 121.4 million.
- The Group's natural gas projects covered 10 provinces in the PRC, namely Jilin, Liaoning, Hubei, Shandong, Anhui, Jiangsu, Zhejiang, Sichuan, Guizhou, and Hainan provinces.

#### UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Gas Blue Sky Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (“**HY2017**”) together with the comparative figures for the same period in 2016 (“**HY2016**”).

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

|                                                               |       | Six months ended 30 June   |                        |
|---------------------------------------------------------------|-------|----------------------------|------------------------|
|                                                               |       | 2017                       | 2016                   |
|                                                               | Notes | HK\$'000                   | HK\$'000               |
|                                                               |       | (Unaudited)                | (Unaudited)            |
|                                                               |       |                            | (restated)             |
| <b>Revenue</b>                                                | 6     | <b>681,835</b>             | 115,296                |
| Cost of sales                                                 |       | <u>(628,563)</u>           | <u>(111,121)</u>       |
| <b>Gross profit</b>                                           |       | <b>53,272</b>              | 4,175                  |
| Other gains and losses                                        | 7     | <b>37,445</b>              | 58,502                 |
| Other income                                                  | 8     | <b>5,222</b>               | 1,366                  |
| Administrative expenses                                       |       | <b>(83,016)</b>            | (57,856)               |
| Other expenses                                                |       | <b>(7,087)</b>             | (4,715)                |
| Finance costs                                                 | 9     | <b>(68,308)</b>            | (36,947)               |
| Share of (loss)/profit of associates                          |       | <b>(2,936)</b>             | 1,683                  |
| Share of profit/(loss) of joint ventures                      |       | <b>2,553</b>               | (847)                  |
| Gain on deemed partial disposal of an associate               |       | <b>–</b>                   | 7,783                  |
| Gain recognised on disposal of a subsidiary                   |       | <u><b>14,627</b></u>       | <u>20,081</u>          |
| <b>Loss before income tax</b>                                 | 10    | <b>(48,228)</b>            | (6,775)                |
| Income tax credit                                             | 11    | <u><b>2,992</b></u>        | <u>2,501</u>           |
| <b>Loss for the period from continuing operations</b>         |       | <b>(45,236)</b>            | (4,274)                |
| <b>Discontinued operation</b>                                 |       |                            |                        |
| Profit/(loss) for the period from discontinued operation      | 12    | <u><b>69,448</b></u>       | <u>(5,107)</u>         |
| <b>Profit/(loss) for the period</b>                           |       | <b>24,212</b>              | (9,381)                |
| <b>Other comprehensive expense</b>                            |       |                            |                        |
| Item that will not be reclassified to profit or loss:         |       |                            |                        |
| Exchange loss arising on translation to presentation currency |       | <b>(5,635)</b>             | –                      |
| Item that may be reclassified subsequently to profit or loss: |       |                            |                        |
| Exchange loss on translation of foreign operations            |       | <u><b>(9,177)</b></u>      | <u>(5,336)</u>         |
|                                                               |       | <u><b>(14,812)</b></u>     | <u>(5,336)</u>         |
| <b>Total comprehensive income/(expense) for the period</b>    |       | <u><u><b>9,400</b></u></u> | <u><u>(14,717)</u></u> |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2017

|                                                                             |       | Six months ended 30 June |                           |
|-----------------------------------------------------------------------------|-------|--------------------------|---------------------------|
|                                                                             |       | 2017                     | 2016                      |
|                                                                             | Notes | HK\$'000                 | HK\$'000                  |
|                                                                             |       | (Unaudited)              | (Unaudited)<br>(restated) |
| <b>Profit/(loss) for the period attributable to:</b>                        |       |                          |                           |
| Owners of the Company                                                       |       |                          |                           |
| Continuing operations                                                       |       | (25,236)                 | 7,315                     |
| Discontinued operation                                                      |       | 52,086                   | (5,107)                   |
|                                                                             |       | <u>26,850</u>            | <u>2,208</u>              |
| Non-controlling interests                                                   |       | (2,638)                  | (11,589)                  |
|                                                                             |       | <u>24,212</u>            | <u>(9,381)</u>            |
| <b>Total comprehensive income/(expense) for the period attributable to:</b> |       |                          |                           |
| Owner of the Company                                                        |       | 8,804                    | 558                       |
| Non-controlling interests                                                   |       | 596                      | (15,275)                  |
|                                                                             |       | <u>9,400</u>             | <u>(14,717)</u>           |
| <b>Earnings/(loss) per share</b>                                            |       |                          |                           |
| From continuing and discontinued operations                                 | 14    |                          |                           |
| –Basic                                                                      |       | HK0.27 cents             | HK0.03 cents              |
| –Diluted                                                                    |       | HK0.27 cents             | HK0.03 cents              |
| From continuing operations                                                  |       |                          |                           |
| –Basic                                                                      |       | HK(0.26) cents           | HK0.11 cents              |
| –Diluted                                                                    |       | HK(0.26) cents           | HK0.11 cents              |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

|                                                                  |              | 30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | 31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|------------------------------------------------------------------|--------------|---------------------------------------------------|-----------------------------------------------------|
|                                                                  | <i>Notes</i> |                                                   |                                                     |
| <b>Non-current assets</b>                                        |              |                                                   |                                                     |
| Prepaid lease payments                                           |              | 20,335                                            | 20,061                                              |
| Property, plant and equipment                                    | 15           | 368,150                                           | 240,476                                             |
| Investment properties                                            |              | –                                                 | 103,447                                             |
| Intangible assets                                                |              | 846,150                                           | 549,296                                             |
| Goodwill                                                         | 16           | 1,183,533                                         | 856,887                                             |
| Interests in associates                                          |              | 212,510                                           | 214,913                                             |
| Interests in joint ventures                                      |              | 422,197                                           | 419,643                                             |
| Deposits for acquisition of subsidiaries                         |              | 815,341                                           | 944,248                                             |
| Deposits for acquisition of property, plant and equipment        |              | 90,898                                            | 84,012                                              |
| Prepayment                                                       |              | 16,396                                            | 11,687                                              |
| Financial assets at fair value through profit or loss            |              | –                                                 | 47,278                                              |
| Promissory note receivable                                       |              | 6,509                                             | 26,849                                              |
| Available-for-sale investments                                   |              | 134,813                                           | 134,801                                             |
| Other non-current assets                                         |              | 300                                               | 456                                                 |
|                                                                  |              | <b>4,117,132</b>                                  | <b>3,654,054</b>                                    |
| <b>Current assets</b>                                            |              |                                                   |                                                     |
| Prepaid lease payments                                           |              | 330                                               | 728                                                 |
| Inventories                                                      |              | 9,640                                             | 8,642                                               |
| Trade and other receivables                                      | 17           | 275,251                                           | 312,572                                             |
| Amounts due from non-controlling shareholders<br>of subsidiaries |              | 11,940                                            | 18,562                                              |
| Amounts due from joint ventures                                  |              | 55,170                                            | 65,978                                              |
| Tax recoverable                                                  |              | –                                                 | 1,590                                               |
| Promissory notes receivables                                     |              | 178,340                                           | 10,000                                              |
| Financial assets at fair value through profit or loss            |              | 183,463                                           | 125,527                                             |
| Cash and bank balances                                           |              | 160,847                                           | 91,426                                              |
|                                                                  |              | <b>874,981</b>                                    | <b>635,025</b>                                      |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

|                                                           |       | 30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | 31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|-----------------------------------------------------------|-------|---------------------------------------------------|-----------------------------------------------------|
|                                                           | Notes |                                                   |                                                     |
| <b>Current liabilities</b>                                |       |                                                   |                                                     |
| Trade and other payables                                  | 18    | 226,628                                           | 140,636                                             |
| Obligation under finance leases                           |       | 50,208                                            | 2,143                                               |
| Other borrowings                                          | 19    | 87,128                                            | —                                                   |
| Convertible bonds                                         | 20    | 62,210                                            | 108,709                                             |
| Embedded derivatives at fair value through profit or loss |       | 139,120                                           | 60,875                                              |
| Amount due to joint ventures                              |       | 9,038                                             | 8,998                                               |
|                                                           |       | <u>574,332</u>                                    | <u>321,361</u>                                      |
| <b>Net current assets</b>                                 |       | <u>300,649</u>                                    | <u>313,664</u>                                      |
| <b>Total assets less current liabilities</b>              |       | <u>4,417,781</u>                                  | <u>3,967,718</u>                                    |
| <b>Capital and reserves</b>                               |       |                                                   |                                                     |
| Share capital                                             | 21    | 540,008                                           | 529,915                                             |
| Reserves                                                  |       | <u>2,740,822</u>                                  | <u>2,677,956</u>                                    |
| <b>Equity attributable to owners of the Company</b>       |       | <u>3,280,830</u>                                  | <u>3,207,871</u>                                    |
| <b>Non-controlling interests</b>                          |       | <u>58,750</u>                                     | <u>67,823</u>                                       |
| <b>Total equity</b>                                       |       | <u>3,339,580</u>                                  | <u>3,275,694</u>                                    |
| <b>Non-current liabilities</b>                            |       |                                                   |                                                     |
| Obligations under finance leases                          |       | 108,418                                           | 1,820                                               |
| Other borrowings                                          | 19    | 293,000                                           | 293,000                                             |
| Convertible bonds                                         | 20    | 466,258                                           | 260,752                                             |
| Deferred tax liabilities                                  |       | <u>210,525</u>                                    | <u>136,452</u>                                      |
|                                                           |       | <u>1,078,201</u>                                  | <u>692,024</u>                                      |
|                                                           |       | <u>4,417,781</u>                                  | <u>3,967,718</u>                                    |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are primary listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and secondary listed on Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

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 Hong Kong Accounting Standard (“**HKAS**”) 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK (“**Listing Rules**”).

## 3. ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) that are mandatorily effective for the accounting period beginning on or after 1 January 2017.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 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.

#### 5. SEGMENT REPORTING

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

In previous periods, specifically, the Group’s reported and operating segments under IFRS 8 are as follows:

1. Sales of natural gas and other related products
2. Sales of book and specialised products

For the six months ended 30 June 2017, a reportable and operating segment of the Group, namely “Sales of book and specialised products” was discontinued as the Group has resolved to dispose it as detailed in note 12. The Group currently re-organises into the following major operating segments from continuing operations, each of which represents an operating and reportable segment of the Group:

1. Natural gas for transportation – operation of CNG and LNG refueling stations for vehicles
2. Trading and distribution of natural gas – distributing and trading CNG and LNG as a wholesaler and sales agent to industrial and commercial users through direct supply facilities
3. City Gas and other related products – sale of natural gas to residential, industrial and commercial users through pipelines, pipeline connection fees and other related products, such as sale of electricity, transportation income, rental income and other income from value-added services

##### 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 2017

|                                         | Natural gas<br>for<br>transportation<br><i>HK\$’000</i> | Trading and<br>distribution of<br>natural gas<br><i>HK\$’000</i> | City Gas and<br>other related<br>products<br><i>HK\$’000</i> | Consolidated<br><i>HK\$’000</i> |
|-----------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|
| External segment revenue                | 61,134                                                  | 457,121                                                          | 163,580                                                      | 681,835                         |
| Inter-segment sales                     | –                                                       | 16,841                                                           | 2,205                                                        | 19,046                          |
|                                         | <u>61,134</u>                                           | <u>457,121</u>                                                   | <u>163,580</u>                                               | <u>681,835</u>                  |
| Segment profit                          | 13,958                                                  | 2,888                                                            | 19,952                                                       | 36,798                          |
|                                         | <u>13,958</u>                                           | <u>2,888</u>                                                     | <u>19,952</u>                                                | <u>36,798</u>                   |
| Other income and other gains and losses |                                                         |                                                                  |                                                              | 42,625                          |
| Central corporate expenses              |                                                         |                                                                  |                                                              | (59,343)                        |
| Finance costs                           |                                                         |                                                                  |                                                              | (68,308)                        |
|                                         |                                                         |                                                                  |                                                              | <u>(48,228)</u>                 |
| Loss before income tax                  |                                                         |                                                                  |                                                              | <u>(48,228)</u>                 |

Segment profit for the six months ended 30 June 2017 consists of a gain from disposal of 100% equity interests in Fan Dream Limited, a wholly owned subsidiary, at a cash consideration of HK\$30,000,000 (the “**Jinan Disposal**”) to an independent third party. The Jinan Disposal results in gain on disposal of a subsidiary of HK\$14.6 million.

For the six months ended 30 June 2016 (restated)

|                                         | Natural gas<br>for<br>transportation<br><i>HK\$'000</i> | Trading and<br>distribution of<br>natural gas<br><i>HK\$'000</i> | City Gas and<br>other related<br>products<br><i>HK\$'000</i> | Consolidated<br><i>HK\$'000</i> |
|-----------------------------------------|---------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|
| Segment revenue                         | <u>20,600</u>                                           | <u>86,355</u>                                                    | <u>8,341</u>                                                 | <u>115,296</u>                  |
| Segment profit/(loss)                   | <u>21,964</u>                                           | <u>(152)</u>                                                     | <u>24,567</u>                                                | <u>46,379</u>                   |
| Other income and other gains and losses |                                                         |                                                                  |                                                              | 59,868                          |
| Central corporate expenses              |                                                         |                                                                  |                                                              | (76,175)                        |
| Finance costs                           |                                                         |                                                                  |                                                              | (36,947)                        |
| Share of profit of certain associate    |                                                         |                                                                  |                                                              | <u>100</u>                      |
| Loss before income tax                  |                                                         |                                                                  |                                                              | <u>(6,775)</u>                  |

Segment profit for the six months ended 30 June 2016 consists of a gain recognised on disposal of a subsidiary, investment income and gain on deemed partial disposal of an associate of HK\$33,811,000, HK\$20,081,000 and HK\$7,783,000 respectively:

- (i) Investment income of HK\$33.8 million arising from the disposal of Lasermoon Limited to Winto Group (Holdings) Limited (SEHK: 8238) at a consideration of HK\$35,000,000. Lasermoon Limited through its subsidiaries is engaged in the operation of e-commerce trading platform of LNG in the PRC. Winto Group (Holdings) Limited is an independent third party, except that the Company's co-chairman and executive director, Mr. Cheng Ming Kit held 6.91% equity interest in Winto Group (Holdings) Limited as at 30 June 2016;
- (ii) Disposal of 25% equity interests in 武漢正威力燃氣有限公司 at a cash consideration of RMB7,500,000 (the “**Wuhan Disposal**”) to an independent third party. On the same date, the Company and the other two independent third parties entered into joint venture agreement which resulted in a loss of control of 武漢正威力燃氣有限公司. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000, resulting in a deemed gain of disposal of subsidiaries of HK\$20.1 million; and
- (iii) Gain on deemed partial disposal of an associate, Triple Energy Limited. During HY2016, Triple Energy Limited issued certain new shares and resulted in deemed partial disposal of its equity interests by the Company, which the gain from the deemed partial disposal amounted to HK\$7.8 million.

Segment profit/(loss) represents the profit earned/loss from by each segment without allocation of other income and certain other gains and losses (other than impairment losses on trade receivables and investment income from the disposal of Lasermoon Limited which were included in segment profit/(loss), central corporate expenses (including but not limited to directors' emoluments), finance costs, share of profit of certain associate and income tax credit. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

### 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<br>2017<br><i>HK\$'000</i><br>(Unaudited) | 31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|-------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|
| <b>Continuing operations</b>                          |                                                   |                                                     |
| Natural gas for transportation                        | 1,529,947                                         | 1,809,033                                           |
| Trading and distribution of natural gas               | 486,877                                           | 526,118                                             |
| City Gas and other related products                   | 2,211,314                                         | 1,301,443                                           |
| <b>Discontinued operation</b>                         |                                                   |                                                     |
| Sales of book and specialised products                | –                                                 | 115,946                                             |
| Total segment assets                                  | 4,228,138                                         | 3,752,540                                           |
| Prepayment                                            | 16,396                                            | 11,687                                              |
| Available-for-sale investments                        | 134,813                                           | 134,801                                             |
| Cash and bank balances                                | 160,847                                           | 91,426                                              |
| Property, plant and equipment for corporate use       | 2,106                                             | 2,925                                               |
| Promissory notes receivables                          | 184,849                                           | 36,849                                              |
| Financial assets at fair value through profit or loss | 183,463                                           | 172,805                                             |
| Other unallocated assets                              | 81,501                                            | 86,046                                              |
| <b>Consolidated assets</b>                            | <b>4,992,113</b>                                  | <b>4,289,079</b>                                    |

#### Segment liabilities

|                                                           | 30 June<br>2017<br><i>HK\$'000</i><br>(Unaudited) | 31 December<br>2016<br><i>HK\$'000</i><br>(Audited) |
|-----------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|
| <b>Continuing operations</b>                              |                                                   |                                                     |
| Natural gas for transportation                            | 86,661                                            | 115,603                                             |
| Trading and distribution of natural gas                   | 66,588                                            | 70,350                                              |
| City Gas and other related products                       | 408,621                                           | 74,882                                              |
| <b>Discontinued operation</b>                             |                                                   |                                                     |
| Sales of book and specialised products                    | –                                                 | 2,235                                               |
| <b>Total segment liabilities</b>                          | <b>561,870</b>                                    | <b>263,070</b>                                      |
| Convertible bonds                                         | 528,468                                           | 369,461                                             |
| Other borrowings                                          | 380,128                                           | 293,000                                             |
| Embedded derivatives at fair value through profit or loss | 139,120                                           | 60,875                                              |
| Certain obligation under finance leases                   | 1,287                                             | 3,963                                               |
| Other unallocated liabilities                             | 41,660                                            | 23,016                                              |
| <b>Consolidated liabilities</b>                           | <b>1,652,533</b>                                  | <b>1,013,385</b>                                    |

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

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

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

## 6. REVENUE

An analysis of the revenue, which is also the Group's turnover as follows:

|                                                                  | <b>Six months ended 30 June</b> |                    |
|------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                  | <b>2017</b>                     | <b>2016</b>        |
|                                                                  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                                                                  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <u>Continuing operations</u>                                     |                                 |                    |
| Sales and distribution of natural gas and other related products | <b>681,835</b>                  | <b>115,296</b>     |

## 7. OTHER GAINS AND LOSSES

|                                                                                   | <b>Six months ended 30 June</b> |                    |
|-----------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                   | <b>2017</b>                     | <b>2016</b>        |
|                                                                                   | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                                                                                   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                   |                                 | <b>(restated)</b>  |
| <u>Continuing operations</u>                                                      |                                 |                    |
| Net exchange losses                                                               | <b>(6,416)</b>                  | <b>(405)</b>       |
| Change in fair value of financial assets at fair value through profit or loss     | <b>(499)</b>                    | <b>17,502</b>      |
| Investment income                                                                 | <b>1,180</b>                    | <b>38,011</b>      |
| Sundry income                                                                     | <b>1,070</b>                    | <b>–</b>           |
| Change in fair value of embedded derivatives at fair value through profit or loss | <b>42,110</b>                   | <b>3,394</b>       |
|                                                                                   | <b>37,445</b>                   | <b>58,502</b>      |

## 8. OTHER INCOME

|                              | <b>Six months ended 30 June</b> |                    |
|------------------------------|---------------------------------|--------------------|
|                              | <b>2017</b>                     | <b>2016</b>        |
|                              | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                              | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                              |                                 | <b>(restated)</b>  |
| <u>Continuing operations</u> |                                 |                    |
| Interest income              | <b>1,190</b>                    | <b>1,152</b>       |
| Rental income                | <b>86</b>                       | <b>85</b>          |
| Sundry income                | <b>3,946</b>                    | <b>129</b>         |
|                              | <b>5,222</b>                    | <b>1,366</b>       |

## 9. FINANCE COSTS

|                                                                      | Six months ended 30 June |               |
|----------------------------------------------------------------------|--------------------------|---------------|
|                                                                      | 2017                     | 2016          |
|                                                                      | HK\$'000                 | HK\$'000      |
|                                                                      | (Unaudited)              | (Unaudited)   |
|                                                                      |                          | (restated)    |
| <u>Continuing operations</u>                                         |                          |               |
| Finance charges on obligations under finance lease                   | 2,873                    | 824           |
| Interests on other borrowings wholly repayable within five years     | 7,952                    | 5,671         |
| Interests on other borrowings not wholly repayable within five years | 2,040                    | 3,651         |
| Interests on convertible bonds*                                      | 55,443                   | 26,801        |
|                                                                      | <u>68,308</u>            | <u>36,947</u> |

\* The convertible bonds issuance summary table is set out in page 27.

## 10. LOSS BEFORE INCOME TAX

|                                                      | Six months ended 30 June |                |
|------------------------------------------------------|--------------------------|----------------|
|                                                      | 2017                     | 2016           |
|                                                      | HK\$'000                 | HK\$'000       |
|                                                      | (Unaudited)              | (Unaudited)    |
|                                                      |                          | (restated)     |
| <u>Continuing operations</u>                         |                          |                |
| Loss before income tax is arrived at after charging: |                          |                |
| Amortisation of prepaid lease payments               | 124                      | 234            |
| Amortisation of intangible assets                    | 16,566                   | 10,339         |
| Cost of inventories recognised as expense*           | 628,563                  | 111,121        |
| Depreciation of property, plant and equipment        | 28,088                   | 7,457          |
| Operating lease charges for premises                 | 3,673                    | 3,531          |
|                                                      | <u>668,911</u>           | <u>132,682</u> |
| Employee benefit expenses                            |                          |                |
| – Salaries and allowance                             | 39,946                   | 27,925         |
| – Contribution to defined contribution plans         | 5,242                    | 3,165          |
|                                                      | <u>45,188</u>            | <u>31,090</u>  |

\* Included in cost of inventories are depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses of HK\$35,287,000 (2016:HK\$11,543,000), which have also been included in the respective total amounts as disclosed above.

## 11. INCOME TAX CREDIT

No Hong Kong profits tax has been provided for the six months ended 30 June 2017 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 2016: 25%).

|                              | <b>Six months ended 30 June</b> |                     |
|------------------------------|---------------------------------|---------------------|
|                              | <b>2017</b>                     | <b>2016</b>         |
|                              | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
|                              | <b>(Unaudited)</b>              | <b>(Unaudited)</b>  |
|                              |                                 | <b>(restated)</b>   |
| <u>Continuing operations</u> |                                 |                     |
| PRC corporate income tax     | (1,150)                         | (84)                |
| Deferred tax                 | 4,142                           | 2,585               |
|                              | <u>2,992</u>                    | <u>2,501</u>        |
| Total income tax credit      | <u><b>2,992</b></u>             | <u><b>2,501</b></u> |

## 12. DISCONTINUED OPERATION

On 4 September 2015, the directors of the Company resolved that the Printing Business will be faded out. On 27 June 2016, the Company entered into the sale and purchase agreement with an independent third party in relation to the proposed disposal of 25% equity interest in Legon Ventures Limited, a subsidiary of the Company, at a consideration of HK\$16,500,000 of which HK\$10,000,000 was settled by promissory note and HK\$6,500,000 was settled by cash (the "Printing Business Disposal"). Details are set out in the Company's announcement dated 27 June 2016. Legon Ventures Limited and its subsidiaries are mainly engaged in sales of book and specialised products. The Printing Business Disposal was approved by the shareholders of the Company at the special general meeting held on 20 September 2016 and completed on 28 October 2016. Subsequently, the Company entered into the sale and purchase agreement with the same party to dispose the remaining 75% equity interest in Legon Ventures Limited at a consideration of HK\$178,000,000 of which HK\$158,000,000 was settled by promissory note and HK\$20,000,000 was settled by cash. The transaction was completed on 26 May 2017. The fair value of retained equity interest at 26 May 2017 was HK\$105.1 million. Accordingly, Printing Business Disposal results in gain on disposal of a subsidiary of HK\$72.8 million.

Profit/(loss) for the period from the discontinued operation in respect of the Printing Business is analysed as follows:

|                                                          | <b>Six months ended 30 June</b> |                       |
|----------------------------------------------------------|---------------------------------|-----------------------|
|                                                          | <b>2017</b>                     | <b>2016</b>           |
|                                                          | <b>HK\$'000</b>                 | <b>HK\$'000</b>       |
|                                                          | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
| Revenue                                                  | –                               | –                     |
| Cost of sales                                            | –                               | –                     |
| Gross profit                                             | –                               | –                     |
| Other gains and losses                                   | –                               | 2,858                 |
| Other income                                             | 728                             | 961                   |
| Selling and distribution costs                           | –                               | (365)                 |
| Other expenses                                           | (268)                           | (85)                  |
| Administrative expenses                                  | (3,875)                         | (8,469)               |
| Finance costs - interest on trust receipts loans         | –                               | (7)                   |
| Gain recognised on disposal of a subsidiary              | 72,863                          | –                     |
| Profit/(loss) before tax                                 | 69,448                          | (5,107)               |
| Income tax expense                                       | –                               | –                     |
| Profit/(loss) for the period from discontinued operation | <u><b>69,448</b></u>            | <u><b>(5,107)</b></u> |

Profit/(loss) for the period from discontinued operation has been arrived at after charging:

|                                               | <b>Six months ended 30 June</b> |                    |
|-----------------------------------------------|---------------------------------|--------------------|
|                                               | <b>2017</b>                     | <b>2016</b>        |
|                                               | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                                               | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Amortisation of investment properties         | 776                             | 110                |
| Amortisation of prepaid lease payments        | 20                              | 100                |
| Depreciation of property, plant and equipment | 40                              | 2,596              |
| Operating lease charges for motor vehicles    | –                               | 168                |
| Employee benefit expenses                     |                                 |                    |
| – Salaries and allowance                      | 1,342                           | 1,545              |
| – Contribution to defined contribution plans  | 18                              | 27                 |
|                                               | <b>1,360</b>                    | <b>1,572</b>       |

### 13. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### 14. EARNINGS/(LOSS) PER SHARE

#### From continuing and discontinued operations

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

|                                                                                                                          | <b>Six months ended 30 June</b> |                      |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
|                                                                                                                          | <b>2017</b>                     | <b>2016</b>          |
|                                                                                                                          | <b>HK\$'000</b>                 | <b>HK\$'000</b>      |
|                                                                                                                          | <b>(Unaudited)</b>              | <b>(Unaudited)</b>   |
| <b>Earnings</b>                                                                                                          |                                 |                      |
| Profit for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share | <b>26,850</b>                   | <b>2,208</b>         |
|                                                                                                                          | <b>2017</b>                     | <b>2016</b>          |
| <b>Number of shares</b>                                                                                                  |                                 |                      |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                                   | <b>9,804,204,027</b>            | <b>6,789,540,422</b> |
| Effect of dilutive potential ordinary shares:                                                                            |                                 |                      |
| Share options issued by the Company                                                                                      | <b>45,304,712</b>               | <b>71,154,150</b>    |
| Convertible bond issued by the Company                                                                                   | <b>54,134,118</b>               | <b>–</b>             |
|                                                                                                                          | <b>99,438,830</b>               | <b>71,154,150</b>    |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share                                 | <b>9,903,642,857</b>            | <b>6,860,694,572</b> |

### From continuing operations

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

|                                                                                                    | <b>Six months ended 30 June</b> |                 |
|----------------------------------------------------------------------------------------------------|---------------------------------|-----------------|
|                                                                                                    | <b>2017</b>                     | <b>2016</b>     |
|                                                                                                    | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| <b>(Loss)/earnings</b>                                                                             |                                 |                 |
| Profit for the period attributable to the owners of the Company                                    | <b>26,850</b>                   | 2,208           |
| Adjust: (Profit)/loss for the period from the discontinued operation                               | <b>(52,086)</b>                 | 5,107           |
| (Loss)/earnings for the purpose of basis and diluted earnings per share from continuing operations | <b>(25,236)</b>                 | 7,315           |

The denominators used are the same as these detailed above for basic and diluted earnings per share from continuing and discontinued operations.

### From discontinued operation

Basic earnings per share from discontinued operation is HK0.53 cents per share (2016: HK0.08 cents loss per share) and diluted earnings per share from the discontinued operation in HK0.53 cents per share (2016: HK0.07 cents loss per share), based on the profit for the year from discontinued operation of HK\$52,086,000 (2016: loss for the period of HK\$5,107,000) and the denominators detailed above for both basic and diluted loss per share.

## 15. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group has an addition of property, plant and equipment with a cost of HK\$3,343,000 (six months ended 30 June 2016: HK\$6,389,000). During the six months ended 30 June 2017, the property, plant and equipment acquired on acquisition of subsidiaries amounted to HK\$100,947,000. (six months ended 30 June 2016: HK\$54,250,000).

## 16. GOODWILL

|                                                | <i>HK\$'000</i> |
|------------------------------------------------|-----------------|
| <b>COST AND CARRYING VALUES</b>                |                 |
| At 1 January 2016                              | 501,470         |
| Acquisition of subsidiaries                    | 355,417         |
| At 31 December 2016                            | 856,887         |
| Acquisition of subsidiaries ( <i>note 22</i> ) | 326,646         |
| At 30 June 2017                                | 1,183,533       |

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.

## 17. TRADE AND OTHER RECEIVABLES

|                                   |              | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|-----------------------------------|--------------|------------------------------------------------------|--------------------------------------------------------|
|                                   | <i>Notes</i> |                                                      |                                                        |
| Trade receivables                 |              | <b>106,224</b>                                       | 91,900                                                 |
| Less: Impairment losses           |              | <b>–</b>                                             | (4,063)                                                |
| Trade receivables – net           | (a), (b)     | <b>106,224</b>                                       | 87,837                                                 |
| Prepayments and other receivables | (c)          | <b>169,027</b>                                       | 224,735                                                |
|                                   |              | <b>275,251</b>                                       | <b>312,572</b>                                         |

- (a) The Group generally allows a credit period of 30 to 90 days (2016: 30 to 90 days) to its trade customers. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and defines credit limits by customers. Based on invoice dates, which approximate the respective revenue recognition dates, ageing analysis of trade receivables (net of impairment losses) was as follows:

|                | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|----------------|------------------------------------------------------|--------------------------------------------------------|
| 0 – 90 days    | <b>95,119</b>                                        | 86,584                                                 |
| 91 – 120 days  | <b>445</b>                                           | 2                                                      |
| 121 – 180 days | <b>8,370</b>                                         | 102                                                    |
| 181 – 365 days | <b>371</b>                                           | 1,149                                                  |
| Over 365 days  | <b>1,919</b>                                         | –                                                      |
|                | <b>106,224</b>                                       | <b>87,837</b>                                          |

- (b) Ageing analysis of trade receivables that were not impaired, based on due date, is as follows:

|                               | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|-------------------------------|------------------------------------------------------|--------------------------------------------------------|
| Neither past due nor impaired | <b>84,219</b>                                        | 86,584                                                 |
| 0 – 90 days past due          | <b>10,257</b>                                        | –                                                      |
| 91 – 180 days past due        | <b>9,829</b>                                         | 104                                                    |
| Over 181 days                 | <b>1,919</b>                                         | 1,149                                                  |
|                               | <b>106,224</b>                                       | <b>87,837</b>                                          |

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

- (c) The balance as at 30 June 2017, included (i) prepayment of purchase of natural gas of HK\$11,272,000 (31 December 2016: HK\$87,803,000); and (ii) a loan receivable of HK\$24,909,000 (31 December 2016: HK\$23,784,000). The loan receivable is short term loan advance to an independent third party, which is unsecured, interest bearing at 12% per annum and repayable within one year. The Group reviewed the recoverable amount of the loan receivable at the end of the reporting period and considered no impairment losses are required.

## 18. TRADE AND OTHER PAYABLES

|                                     | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2016<br>HK\$'000<br>(Audited) |
|-------------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade payables                      | 48,474                                               | 29,286                                       |
| Accrued charges and other creditors | 88,560                                               | 61,915                                       |
| Construction cost payables          | 31,022                                               | 30,338                                       |
| Trade deposits received             | 58,572                                               | 19,097                                       |
|                                     | <u>226,628</u>                                       | <u>140,636</u>                               |

The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2016: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

|                | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2016<br>HK\$'000<br>(Audited) |
|----------------|------------------------------------------------------|----------------------------------------------|
| 0 – 90 days    | 44,292                                               | 26,067                                       |
| 91 – 180 days  | 761                                                  | –                                            |
| 181 – 365 days | 144                                                  | –                                            |
| Over 365 days  | 3,277                                                | 3,219                                        |
|                | <u>48,474</u>                                        | <u>29,286</u>                                |

## 19. OTHER BORROWINGS

|                                                                                                                  | 30 June<br>2017<br><b>HK\$'000</b><br>(Unaudited) | 31 December<br>2016<br><b>HK\$'000</b><br>(Audited) |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|
| Corporate bonds ( <i>note i</i> )                                                                                | 293,000                                           | 293,000                                             |
| Other borrowings ( <i>note ii</i> )                                                                              | 87,128                                            | —                                                   |
|                                                                                                                  | <b>380,128</b>                                    | <b>293,000</b>                                      |
| Carrying amount repayable*:                                                                                      |                                                   |                                                     |
| Within one year                                                                                                  | 87,128                                            | —                                                   |
| More than one year, but not exceeding two years                                                                  | —                                                 | —                                                   |
| More than two years, but not exceeding five years                                                                | 242,000                                           | 225,000                                             |
| More than five years                                                                                             | 51,000                                            | 68,000                                              |
|                                                                                                                  | <b>380,128</b>                                    | <b>293,000</b>                                      |
| <i>Less:</i> Amounts due within one year or contain a repayment on demand clause shown under current liabilities | 87,128                                            | —                                                   |
| Amounts shown under non-current liabilities                                                                      | <b>293,000</b>                                    | <b>293,000</b>                                      |

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

- (i) There was no additional unsecured corporate bonds issued by the Company during the six months ended 30 June 2017 (2016: HK\$110,500,000). The unsecured bonds have maturity of two to seven years (2016: three to eight years) until 2024 (2016: 2024) and interest bearing at 4.8% to 8% (2016: 4.8% to 8%) per annum. No transaction costs (2016: HK\$11,050,000) have been incurred and the corporate bonds carry effective interest at 7.5% (2016: 7.5%) per annum.
- (ii) Other borrowings are unsecured, with maturity of half year and interest bearing at 8% per annum.

## 20. CONVERTIBLE BONDS

|                                                                   |       | 30 June<br>2017<br>HK\$'000<br>(Unaudited) | 31 December<br>2016<br>HK\$'000<br>(Audited) |
|-------------------------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
|                                                                   | Notes |                                            |                                              |
| Convertible Bonds I                                               | a     | 47,420                                     | 96,379                                       |
| Convertible Bonds II                                              | b     | 53,746                                     | 48,951                                       |
| Convertible Bonds III                                             | c     | 14,766                                     | 12,305                                       |
| Convertible Bonds IV                                              | d     | 90,632                                     | 82,482                                       |
| Convertible Bonds V                                               | e     | 143,091                                    | 129,344                                      |
| Convertible Bonds VI                                              | f     | 101,602                                    | —                                            |
| Convertible Bonds VII                                             | g     | 77,211                                     | —                                            |
|                                                                   |       | <b>528,468</b>                             | <b>369,461</b>                               |
| Carrying amount repayable:                                        |       |                                            |                                              |
| Within one year                                                   |       | 62,210                                     | 108,709                                      |
| More than one year, but not exceeding two years                   |       | 144,379                                    | 48,951                                       |
| More than two years, but not exceeding five years                 |       | 321,879                                    | 211,801                                      |
|                                                                   |       | <b>528,468</b>                             | <b>369,461</b>                               |
| Less: Amounts due within one year shown under current liabilities |       | (62,210)                                   | (108,709)                                    |
| Amounts due after one year shown under non-current liabilities    |       | <b>466,258</b>                             | <b>260,752</b>                               |

### (a) Convertible Bonds I

On 9 September 2015, the Company issued unsecured convertible bonds of HK\$116,000,000 (“Convertible Bonds I”). The Convertible Bonds I will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds I at a conversion price of HK\$0.4 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond I which remains outstanding on their maturity date shall be automatically redeemed by the Company at 124% of its outstanding principal amount. The bondholders are entitled to early redeem whole or part of the outstanding principal amount of the Convertible Bond I at 120% of the principal amount when the Group fails to meet certain requirements in relation to financial performance of the Group, subject further to the condition relating to price and trading volume of the Company’s shares being met, as set out in the Convertible Bonds I agreement dated 13 August 2015. In the opinion of the directors of the Company, taking into accounts the conditions to be met for exercisability of the holders’ put options, the fair value of the early redemption option of the Convertible Bonds I is insignificant.

The Convertible Bonds I contain liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading “Convertible note equity reserve”. The effective interest rate of the liability component of the Convertible Bonds I is 26.7%.

**(b) Convertible Bonds II**

On 11 December 2015, the Company issued 5% unsecured convertible bonds of HK\$200,000,000 (“Convertible Bond II”). The Convertible Bond II will mature on the interest payment date falling on or nearest to 9 December 2018 at a conversion price of HK\$0.48 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond II which remains outstanding on their maturity date shall be automatically redeemed by the Company on their maturity date at a redemption amount in accordance with the following formula:

$$\text{Redemption amount} = \text{outstanding principal amount of such Convertible Bond II being redeemed} \times (1.095)^N - \text{AI}$$

Where:

“N” = a fraction the numerator of which is the number of calendar days between the issue date and the applicable date of redemption and the denominator of which is 365; and

“AI” = Interest accrued and paid in respect of such Convertible Bond II (excluding any default interest payable), prior to the applicable date of redemption.

The Convertible Bond II contains two components, liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading “Convertible note equity reserve”. The effective interest rate of the liability component is 15.9% per annum.

**(c) Convertible Bonds III**

On 7 January 2016, the Company issued unsecured convertible bonds of HK\$15,000,000 (“Convertible Bonds III”). The Convertible Bonds III will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds III at a conversion price of HK\$0.4 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond III which remains outstanding on their maturity date shall be automatically redeemed by the Company at 124% of its outstanding principal amount. The bondholders are entitled to early redeem whole or part of the outstanding principal amount of the Convertible Bond III at 120% of the principal amount when the Group fails to meet certain requirements in relation to financial performance of the Group, subject further to the condition relating to price and trading volume of the Company’s shares being met, as set out in the Convertible Bonds III agreement dated 30 November 2015. In the opinion of the directors of the Company, taking into accounts the conditions to be met for exercisability of the holders’ put options, the fair value of the early redemption option of the Convertible Bonds III is insignificant.

The Convertible Bonds III contain liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading “Convertible note equity reserve”. The effective interest rate of the liability component of the Convertible Bonds III is 21.39%.

**(d) Convertible Bonds IV**

On 11 May 2016, the Company issued 4.5% unsecured convertible bonds of HK\$350,000,000 (“Convertible Bond IV”). The Convertible Bond IV will mature on the interest payment date falling on or nearest to 11 May 2019 at a conversion price of HK\$0.45 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond IV which remains outstanding on their maturity date shall be automatically redeemed by the Company on their maturity date at the outstanding amount of Convertible Bond IV at the time of redemption plus the interest accrued at the compounded rate of 3% per annum for the period from the issue date to the date of redemption.

The Convertible Bond IV contains two components, liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading “Convertible note equity reserve”. The effective interest rate of the liability component is 25.5% per annum.

**(e) Convertible Bonds V**

On 29 December 2016, the Company issued HK\$200,000,000, 4.8% convertible bonds (the “Convertible Bonds V”). The Convertible Bonds V will mature on the date falling on the third anniversary of the date of Convertible Bonds V 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 Bonds V. If the Convertible Bonds V have not been converted, they will be redeemed on the maturity date at 118% of the principal amount.

The Convertible Bonds V contain liability component and conversion option. The Company changed its functional currency from HK\$ to RMB on 28 October 2016, which is different from the issue currency of Convertible Bonds V. Therefore the conversion option of Convertible Bonds V 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.

**(f) Convertible Bonds VI**

On 13 April 2017, the Company issued HK\$200,000,000, 4.8% convertible bonds (the “Convertible Bonds VI”) The Convertible Bonds VI will mature on the date falling on the third anniversary of the date of Convertible Bonds VI 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 Bonds VI. If the Convertible Bonds VI have not been converted, they will be redeemed on the maturity date at 106% of the principal amount.

The Convertible Bonds VI contain liability component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bonds VI. Therefore, the conversion option of Convertible Bonds VI 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.

**(g) Convertible Bonds VII**

On 18 April 2017, the Company issued HK\$150,000,000, 3.8% convertible bonds (the “Convertible Bonds VII”) The Convertible Bonds VII will initial mature on the date falling thirty-two months from the issue date at a conversion price of HK\$0.67 per convertible share. Bondholder may, with prior consent by the Company, extend the initial maturity date, which fall on or after 4 months but not more than 12 months from the initial maturity date. The Company will redeem the Convertible Bonds VII at the redemption amount which shall be calculated in accordance to the following formula:

Redemption amount = Principal amount of the Convertible Bonds VII x  $(4.7\% \times (N/365) + 1)$  x 100% + (any accrued but unpaid interest)

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

The Convertible Bonds VII contain liability component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bonds VII. Therefore, the conversion option of Convertible Bonds VII 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.

## 21. SHARE CAPITAL

|                                                                                                  | Number of<br>shares | Amount<br>HK\$'000 |
|--------------------------------------------------------------------------------------------------|---------------------|--------------------|
| Ordinary shares of HK\$0.055 each                                                                |                     |                    |
| Authorised share capital                                                                         |                     |                    |
| At 31 December 2016 and 30 June 2017                                                             | 91,000,000,000      | 5,005,000          |
| Issued and fully paid share capital                                                              |                     |                    |
| At 1 January 2016                                                                                | 6,099,640,873       | 335,480            |
| Issue of shares by way of placing ( <i>note i</i> )                                              | 2,155,555,555       | 118,556            |
| Issue of shares upon conversion of convertible notes<br>and convertible bonds ( <i>note ii</i> ) | 1,155,104,983       | 63,530             |
| Issue of shares for acquisition of subsidiaries ( <i>note iii</i> )                              | 158,333,333         | 8,708              |
| Issue of shares upon exercise of share options ( <i>note iv</i> )                                | 66,191,100          | 3,641              |
| At 31 December 2016                                                                              | 9,634,825,844       | 529,915            |
| Issue of shares upon conversion of convertible bonds ( <i>note v</i> )                           | 163,750,000         | 9,006              |
| Issue of shares upon exercise of share options ( <i>note vi</i> )                                | 19,744,040          | 1,087              |
| At 30 June 2017                                                                                  | 9,818,319,884       | 540,008            |

### Notes:

- (i) On 11 May 2016, the Company issued, by way of placing, 2,155,555,555 new ordinary shares of HK\$0.055 each at the issue price of HK\$0.45 and the proceeds from such issues amounted to HK\$970,000,000. An amount of HK\$851,444,000 in excess of par value were credited to share premium.
- (ii) During the year ended 31 December 2016, a total of 1,155,104,983 new ordinary shares of the Company of HK\$0.055 each were issued upon conversion of the convertible note and convertible bonds of the Company.
- (iii) On 20 April 2016, the Company issued 158,333,333 new ordinary shares of HK\$0.055 each at the issue price of HK\$0.48 per share, as part of the consideration for the acquisition of subsidiaries.
- (iv) During the year ended 31 December 2016, a total of 66,191,100 new ordinary shares of the Company of HK\$0.055 each were issued upon exercises of the share options of the Company.
- (v) During the period ended 30 June 2017, a total of 163,750,000 new ordinary shares of HK\$0.055 each were issued upon conversion of the convertible bonds of the Company.
- (vi) During the period ended 30 June 2017, a total of 19,744,040 new ordinary shares of HK\$0.055 each were issued upon exercises of the share options of the Company.

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

## 22. ACQUISITION OF SUBSIDIARIES

During the six months ended 30 June 2017, the Group entered into the acquisition agreement to purchase the entire issued share capital of OctoNet Limited and August Zone Limited in Jilin province together with its subsidiaries (collectively “OctoNet and August Zone Group”) at consideration of RMB360.0 million. The transaction completed on 12 May 2017. OctoNet and August Zone Group is engaged in the business of city gas and other related products. The goodwill of HK\$326.6 million arising on the acquisition of OctoNet and August Zone Group is attributable to the anticipated profitability of its business. During the period, OctoNet Group contributed to the Group’s revenue and profit of HK\$27.3 million and HK\$4.5 million respectively.

## 23. COMMITMENTS

### Capital commitments

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

|                                  | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|----------------------------------|------------------------------------------------------|--------------------------------------------------------|
| Contracted but not provided for: |                                                      |                                                        |
| – property, plant and equipment  | <b>12,291</b>                                        | 27,757                                                 |
| – acquisition of subsidiaries    | <b>152,000</b>                                       | 152,000                                                |
|                                  | <b>164,291</b>                                       | 179,757                                                |

### Operating lease commitments as lessee

At the end of the reporting period, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

|                                       | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|---------------------------------------|------------------------------------------------------|--------------------------------------------------------|
| Within one year                       | <b>15,034</b>                                        | 15,100                                                 |
| In the second to fifth year inclusive | <b>6,995</b>                                         | 8,166                                                  |
| More than five years                  | <b>3,553</b>                                         | 6,890                                                  |
|                                       | <b>25,582</b>                                        | 30,156                                                 |

The Group leases its office premises under an operating lease. The leases run for an initial period ranging from one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The leases do not include contingent rentals.

## Operating lease commitments as lessor

At the end of the reporting period, the total future minimum lease receipts in respect of land and buildings under non-cancellable operating leases are as follows:

|                 | <b>30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>31 December<br/>2016<br/>HK\$'000<br/>(Audited)</b> |
|-----------------|------------------------------------------------------|--------------------------------------------------------|
| Within one year | <u>–</u>                                             | <u>319</u>                                             |
|                 | <u><b>–</b></u>                                      | <u><b>319</b></u>                                      |

The leases run for an initial period of 5 years and require the tenants to pay security deposits. The leases do not include contingent rentals.

## 24. 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:

|                                                                                             | <b>Six months ended 30 June<br/>2017<br/>HK\$'000<br/>(Unaudited)</b> | <b>2016<br/>HK\$'000<br/>(Unaudited)</b> |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------|
| Finance cost in related to finance lease obligation with an joint venture ( <i>note a</i> ) | <b>2,701</b>                                                          | –                                        |
| Purchases of goods ( <i>note b</i> )                                                        | <b>13,613</b>                                                         | –                                        |
| Key management personnel                                                                    |                                                                       |                                          |
| Short-term employee benefits                                                                | <b>8,486</b>                                                          | 8,105                                    |
| Post-employment benefits                                                                    | <b>201</b>                                                            | 110                                      |
| Share based payments                                                                        | <u><b>4,136</b></u>                                                   | <u>2,886</u>                             |
| Key management personnel remuneration                                                       | <u><b>12,823</b></u>                                                  | <u>11,101</u>                            |

*Note a:* The Group entered into finance lease agreement with one of the joint venture.

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

## 25. PLEDGE OF ASSETS

As at 30 June 2017, certain plant and equipment which amounted to HK\$180,365,000 (31 December 2016: HK\$1,133,190) were pledged under finance leases.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

During the six months ended 30 June 2017 (“HY2017”), the Group recorded a turnover of HK\$681.8 million, representing a growth of 491.4% year-on-year. Segment profit reached to HK\$36.8 million for HY2017, which was mainly attributable to the sales of natural gas of the Group. During HY2017, total gas sales volume increased by 441.9% year-on-year, amounted to 292.1 million cubic meters (HY2016: 53.9 million cubic meters). The growth was attributable to the further development of existing projects and the acquisition of a new project that was immediately operational.

The Group’s major natural gas projects during the six months ended 30 June 2017:

|                       | Project Name           | Equity Interests | Status                | LNG/CNG refueling stations |                                |             | City gas                       |             | Direct supply                  |             | Trading and distribution       |             | Total                          |             |
|-----------------------|------------------------|------------------|-----------------------|----------------------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|
|                       |                        |                  |                       | Number of Stations         | Volume (0'000 m <sup>3</sup> ) | Volume (%)  | Volume (0'000 m <sup>3</sup> ) | Volume (%)  | Volume (0'000 m <sup>3</sup> ) | Volume (%)  | Volume (0'000 m <sup>3</sup> ) | Volume (%)  | Volume (0'000 m <sup>3</sup> ) | Volume (%)  |
| <b>Subsidiaries</b>   | Liaoning Benxi         | 89%              | Existing              | 1                          | 17                             | 0%          | 94                             | 18%         | –                              | 0%          | –                              | 0%          | 111                            | 0%          |
|                       |                        |                  | Disposed in June 2017 |                            |                                |             |                                |             |                                |             |                                |             |                                |             |
|                       | Shandong Jinan         | 60%              | Existing              | 2                          | 84                             | 2%          | –                              | 0%          | –                              | 0%          | –                              | 0%          | 84                             | 0%          |
|                       | Jinan Guoxu            | 70%              | Existing              | 0                          | –                              | 3%          | –                              | 0%          | 9                              | 0%          | –                              | 0%          | 9                              | 0%          |
|                       | Shandong Tengzhou      | 100%             | Existing              | 1                          | 126                            | 0%          | –                              | 0%          | 81                             | 4%          | 1,201                          | 5%          | 1,408                          | 5%          |
|                       | Shandong Chiping       | 100%             | Existing              | 1                          | 20                             | 1%          | –                              | 0%          | –                              | 0%          | 363                            | 2%          | 383                            | 1%          |
|                       | Shandong Power Energy  | 100%             | Existing              | 0                          | –                              | 0%          | –                              | 0%          | 423                            | 18%         | 60                             | 0%          | 483                            | 2%          |
|                       | Guizhou Liupanshui     | 100%             | Existing              | 2                          | 134                            | 4%          | –                              | 0%          | –                              | 0%          | –                              | 0%          | 134                            | 0%          |
|                       | Anhui Power Energy     | 100%             | Existing              | 0                          | –                              | 0%          | –                              | 0%          | 1                              | 0%          | 18,186                         | 80%         | 18,187                         | 62%         |
|                       | Hainan Xinyuan         | 48%              | Existing              | 8                          | 777                            | 21%         | –                              | 0%          | –                              | 0%          | –                              | 0%          | 777                            | 3%          |
|                       | Ningbo Beilun          | 100%             | Existing              | 0                          | –                              | 0%          | –                              | 0%          | 302                            | 13%         | –                              | 0%          | 302                            | 1%          |
|                       | Zhejiang Huzhou        | 100%             | Existing              | 0                          | –                              | 0%          | –                              | 0%          | 1,488                          | 65%         | 1,955                          | 9%          | 3,443                          | 12%         |
|                       | Jilin Haoyuan*         | 100%             | Acquired in May 2017  | 2                          | 69                             | 2%          | 398                            | 78%         | –                              | 0%          | –                              | 0%          | 467                            | 2%          |
|                       | <b>Subtotal</b>        |                  |                       | <b>17</b>                  | <b>1,227</b>                   | <b>33%</b>  | <b>492</b>                     | <b>96%</b>  | <b>2,304</b>                   | <b>100%</b> | <b>21,765</b>                  | <b>96%</b>  | <b>25,788</b>                  | <b>88%</b>  |
| <b>Associates</b>     | Hainan Dazhong         | 12%              | Existing              | 9                          | 1,634                          | 45%         | –                              | 0%          | –                              | 0%          | –                              | 0%          | 1,634                          | 6%          |
|                       | Hainan Zhongyou Jiarun | 40%              | Existing              | 3                          | 419                            | 11%         | –                              | 0%          | –                              | 0%          | –                              | 0%          | 419                            | 1%          |
|                       | Hefei KunLun           | 30%              | Existing              | 5                          | 394                            | 11%         | –                              | 0%          | –                              | 0%          | 958                            | 4%          | 1,352                          | 5%          |
|                       | <b>Subtotal</b>        |                  |                       | <b>17</b>                  | <b>2,447</b>                   | <b>67%</b>  | <b>–</b>                       | <b>0%</b>   | <b>–</b>                       | <b>0%</b>   | <b>958</b>                     | <b>4%</b>   | <b>3,405</b>                   | <b>12%</b>  |
| <b>Joint ventures</b> | Sichuan                | 45%              | Existing              | 0                          | –                              | 0%          | –                              | 0%          | –                              | 0%          | –                              | 0%          | –                              | 0%          |
|                       | Wuhan Power Energy     | 50%              | Existing              | 0                          | –                              | 0%          | –                              | 0%          | –                              | 0%          | –                              | 0%          | –                              | 0%          |
|                       | Hubei Huanggang        | 30%              | Existing              | 0                          | –                              | 0%          | 20                             | 4%          | –                              | 0%          | –                              | 0%          | 20                             | 0%          |
|                       | <b>Subtotal</b>        |                  |                       | <b>0</b>                   | <b>–</b>                       | <b>0%</b>   | <b>20</b>                      | <b>4%</b>   | <b>–</b>                       | <b>0%</b>   | <b>–</b>                       | <b>0%</b>   | <b>20</b>                      | <b>0%</b>   |
| <b>Grand Total</b>    |                        |                  |                       | <b>34</b>                  | <b>3,674</b>                   | <b>100%</b> | <b>512</b>                     | <b>100%</b> | <b>2,304</b>                   | <b>100%</b> | <b>22,723</b>                  | <b>100%</b> | <b>29,213</b>                  | <b>100%</b> |

\* covering 2 months data which includes May and June 2017

Total gas sales volume from subsidiaries amounted to 257.9 million cubic meters (HY2016: 41.7 million cubic meters). In addition, total gas sales volume from the associates of the Group amounted to 34.1 million cubic meters (HY2016: 12.2 million cubic meters).

Earnings per share during the period was HK\$0.27 cents (HY2016: HK\$0.03). Interest expense from financing amounted to HK\$68.3 million, of which the actual cash interest expense was HK\$24.8 million. EBITDA amounted to HK\$121.4 million, up by 164.5% as compared to the corresponding period of last year.

As at 30 June 2017, the Group's natural gas projects covered 10 provinces in the PRC, namely Jilin, Liaoning, Hubei, Shandong, Anhui, Jiangsu, Zhejiang, Sichuan, Guizhou, and Hainan provinces. The Group owns a total of 32 gas refueling stations for vehicles and 3 city gas projects.

As at 30 June 2017, the printing business was terminated. On 26 May 2017, the Company completed the disposal of the remaining 75% interests in Legon Ventures Limited ("Legon") at a consideration of HK\$178,000,000.

## **RESIDENTIAL USERS**

During HY2017, the volume of natural gas sold by the Group to residential users amounted to 5.1 million cubic meters, with connection fee income of HK\$15.5 million, representing an increase of 229.8% year-on-year (HY2016: HK\$4.7 million). The newly acquired city gas project in Jilin province completed connection of piped gas for 6,256 new residential households. In view of the new real estate projects to be completed in Songyuan city, Jilin province as well as the existing residential areas being converted to use piped gas, Jilin Haoyuan is expected to further construct new gas pipelines connecting residential users. Separately, the Group is in the process of acquiring and merging the gas projects in Yuncheng city and Yongji city, Shanxi province, which are expected to contribute significantly to gas sales volume, cash flow and net profit of the Group upon completion of the acquisition. Along with the continuous acceleration of urbanisation in the future, the Group will continue to seize the opportunities and invest in city gas projects actively.

## **INDUSTRIAL AND COMMERCIAL USERS**

The Group is currently supplying gas to the industrial and commercial users in Jilin, Liaoning, Hubei Shandong, Anhui, and Zhejiang provinces, and the gas supply volume continues to show an upward trend. As at 30 June 2017, the Group recorded a gas volume of 23.0 million cubic meters sold to the industrial and commercial users. The PRC government is stepping up its efforts to implement the "coal-to-gas" policy to solve the serious haze weather situation, and the areas where the Group is supplying gas to the industrial and commercial users, will benefit from such policy. At the same time, such policy will also be beneficial to the projects in Shanxi that are under acquisition as more and more commercial users and public buildings (e.g. schools, restaurants, hospitals and commercial complex) in these regions are considering using gas-fired boilers for heating and air conditioning to replace the old coal-fired boilers. The industrial and commercial users will be a key growth driver of the Group's gas sales in the coming years. The Group will actively explore the market development potential, targeting at investing in high-quality industrial and commercial gas projects.

## **CNG AND LNG REFUELING STATIONS**

The Group sells natural gas to LNG vehicles (trucks and motor buses) and CNG vehicles (taxis, motor buses and private cars). During HY2017, the Group's CNG refueling stations were increased by 2 new CNG refueling stations for vehicles. As at 30 June 2017, the Group owns 16 CNG refueling stations and 16 LNG refueling stations, 32 stations in total. The Group adopted the practical business development policies and promoting strategies, and offered more value-added services such as car washing and inspection services to large customers of the refueling stations including logistics companies, to enhance customers' experience, satisfaction and loyalty. At the same time, the Group constantly reviewed cost effectiveness, efficiency and brand image, and took corresponding actions accordingly, such as shutting down certain unprofitable gas stations and investing in pipelines and equipment and renovating gas stations.

## **TRADING AND DISTRIBUTION OF CNG AND LNG**

During HY2017, the Group has a total of 52 natural gas tank trucks (HY2016: 41 natural gas tank trucks). Total trading volume amounted to over 227.2 million cubic meters, representing a six-fold increase as compared to the corresponding period of last year (HY2016: 37.0 million cubic meters). The trading and distribution business recorded a segment profit of HK\$2.9 million. With its growing natural gas transportation fleet and increasingly sophisticated logistics platform, the Group is expected to optimise its natural gas industry chain via centralised procurement and logistics planning to significantly enhance our price bargaining power when negotiating with upstream suppliers and improve our efficiency. The Group owns 10% equity interests of CNPC's Haikou LNG receiving terminal, and distributes LNG with gas source from CNOOC's Ningbo receiving terminal and Sinopec's Dongjiakou receiving terminal. In order to ensure stable gas supply of the imported LNG along the coastal area and to lower the cost effectively, the Group will continue to explore the cooperation opportunities in the industry and strengthen the improvement of the trading and distribution gas volume of the Group.

## **EXPANSION INITIATIVES**

The Group has adopted its own "One Belt, One Road" Expansion Strategy. Along the key "One Belt" coastal economic areas such as the Jing-Jin-Ji Economic Circle and the Yangtze River Delta, the Group aims to leverage CNOOC, Sinopec and CNPC's LNG receiving terminals to distribute more low cost imported LNG as a wholesaler and distributor to our own sales outlets. The Group aims to significantly ramp up its distribution network along China's coastal areas to reach a wider potential customer base to further increase its market share and bargaining power with upstream gas suppliers. For inland, along the "One Road", from Shanxi all the way to the western and north-western provinces of China, the Group will seek to identify projects that have above market average investment-return, such as city gas projects, trading and distribution opportunities and refueling gas stations where imminent gas demand is available.

During HY2017, the Group acquired a project in Jilin province and is in the process of acquiring projects at Yuncheng and Yongji in Shanxi province.

During HY2017, the projects that newly acquired or in the process of acquisition are:

|   | <b>Projects</b> | <b>Status</b>                 | <b>Principal industry</b>                                                                                                      |
|---|-----------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| 1 | Jilin Haoyuan   | Newly acquired                | Piped gas of residential users, commercial users and public buildings as well as 2 CNG refueling stations for vehicles         |
| 2 | Shanxi Minsheng | In the process of acquisition | Piped gas of residential users, utilities and industrial and commercial users as well as 5 CNG refueling stations for vehicles |
| 3 | Yongji Minsheng | In the process of acquisition | Piped gas of residential users, utilities and industrial and commercial users as well as 2 CNG refueling stations for vehicles |

### Financial Resources of the Group

Cash and bank balances of the Group were to HK\$160.8 million as at 30 June 2017. Given the Group's strong cash position, below industry average gearing level and quality profile of institutional investors, the Group is expected to expand its investment in the natural gas industry and pursue opportunities for industry consolidation, so as to generate higher return for its shareholders.

As at 30 June 2017, the Group issued corporate bonds of HK\$293.0 million and convertible bonds with principal amount of HK\$815.5 million. The Group's gearing ratio, which is total borrowings divided by total equity, was at 32.2% as at 30 June 2017, which was slightly higher than that as at 31 December 2016. If excluding convertible bonds, the gearing ratio was 16.4% as at 30 June 2017 (9.3% as at 31 December 2016). Cash to total liabilities was 9.7% as at 30 June 2017 (9.0% as at 31 December 2016).

### Convertible bonds issuance summary table:

| <b>Issue date</b> | <b>Investors</b>                                         | <b>Principal amount at issue date<br/>HK\$</b> | <b>Principal amount as at 30 June 2017<br/>HK\$</b> | <b>Conversion price per share<br/>HK\$</b> | <b>Maturity Date</b> |
|-------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------------------|--------------------------------------------|----------------------|
| 2015-09-09        | Templeton Asset Management Ltd.'s Emerging Markets Group | 116,000,000                                    | 50,500,000                                          | 0.40                                       | 2018-09-09           |
| 2015-12-11        | Haitong International Securities Group Limited           | 200,000,000                                    | 70,000,000                                          | 0.48                                       | 2018-12-09           |
| 2016-01-07        | Templeton Asset Management Ltd.'s Emerging Markets Group | 15,000,000                                     | 15,000,000                                          | 0.40                                       | 2019-01-07           |
| 2016-05-11        | Beijing Gas Group Co., Ltd.                              | 350,000,000                                    | 130,000,000                                         | 0.45                                       | 2019-05-11           |
| 2016-12-29        | China Orient Asset Management Co., Ltd                   | 200,000,000                                    | 200,000,000                                         | 0.67                                       | 2019-12-29           |
| 2017-04-24        | Central China International Investment Company Limited   | 150,000,000                                    | 150,000,000                                         | 0.67                                       | 2019-12-23           |
| 2017-04-24        | China Huarong International Holdings Limited             | 200,000,000                                    | 200,000,000                                         | 0.67                                       | 2020-04-24           |
|                   |                                                          | <u>1,231,000,000</u>                           | <u>815,500,000</u>                                  |                                            |                      |

## **Financial Review**

### ***Revenue***

Revenue increased by 491.4% from HK\$115.3 million for HY2016 to HK\$681.8 million for HY2017 which was mainly due to the expansion of natural gas business. The Group recorded an increase of revenue from natural gas business by HK\$566.5 million for HY2017, mainly attributable to the following:

- (i) the Company successfully ramped up the LNG trading business and direct supply business in the PRC during HY2017, in which the revenue from the LNG trading business and direct supply business of the Group increased by HK\$370.8 million and HK\$108.0 million respectively for HY2017;
- (ii) the completion of the acquisition of Jilin project in May 2017, contributed to the revenue of HK\$27.3 million;
- (iii) the Company being able to impose its controlling power over Haikou Xinyuan in July 2016, contributed to the revenue of HK\$31.5 million; and
- (iv) the management fee income from the certain projects amounted to HK\$33.9 million.

### ***Gross Profit and Segment Profit/Loss***

The Group increased the gross profit from HK\$4.2 million to HK\$53.3 million for HY2017, which was mainly due to the high profit margin from LNG/CNG refueling stations and city gas projects.

The natural gas business of the Group decreased the segment profit of HK\$9.6 million during HY2017, by compared with HK\$46.4 million for HY2016, due to lower profit recorded from the segment of City Gas and other related products of HK\$4.6 million and natural gas for transportation of HK\$8.0 million and offset by higher profit of HK\$3.0 million from the segment of trading and distribution of natural gas.

### ***Earnings before Interests, Tax, Depreciation and Amortisation***

Earnings before interests, tax, depreciation and amortisation increased from HK\$45.9 million for HY2016 to HK\$121.4 million for HY2017, which is mainly due to the increase in the income from (i) refueling stations and city gas projects and (ii) the disposal of subsidiaries during HY2017.

### ***Other Gains and Losses and Other Income***

Other gains and losses and other income decreased from HK\$63.7 million for HY2016 to HK\$43.4 million for HY2017, which is mainly due to the decrease in gain from investment income for HY2017 by HK\$36.8 million.

## ***Operating Expenses***

### *(a) Administrative expenses*

The administrative expenses increased by 31.1% from HK\$66.3 million for HY2016 to HK\$86.9 million for HY2017. It was mainly due to the increase in the following expenses during HY2017 (i) staff cost by HK\$13.6 million; (ii) depreciation by HK\$3.6 million; (iii) rent and rate by HK\$2.0 million; (v) travelling expenses by HK\$0.9 million; and (vi) other expenses by HK\$0.5 million.

### *(b) Other expenses*

Other expenses increased by 54.2% from HK\$4.8 million for HY2016 to HK\$7.4 million for HY2017 which was mainly due to the increased legal and professional fee of HK\$2.2 million.

### *(c) Finance costs*

Finance costs increased from HK\$36.9 million for HY2016 to HK\$68.3 million for HY2017 which was mainly due to the increase in interest on convertible bonds of HK\$28.6 million arising from the new issue of convertible bonds during HY2017.

### *(d) Gain recognised on disposal of subsidiaries*

The Company entered into the sale and purchase agreement with the independent third party to dispose the remaining 75% equity interest in Legon Ventures Limited and the 100% equity interest in Fan Dream Limited resulting in a gain recognised on disposal of subsidiaries of HK\$72.9 million and HK\$14.6 million respectively.

### *(e) Income tax credit*

Income tax credit was calculated at 25% and 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for both periods, respectively. During the period, the income tax credit of HK\$3.0 million for HY2017 (HY2016: HK\$2.5 million) represented the reversal of deferred tax provision arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

### *(g) Profit/Loss attributable to owners of the Company*

The Group's profit for the year attributable to the owners of the Company was arrived at HK\$26.9 million for HY2017, representing an increase by HK\$24.6 million from HY2016.

## FUTURE PROSPECTS

In future, the Group will invest and develop the natural gas business proactively and expand business layout by taking the “develop clean energy, improve customer value, and create a better Blue Sky” as the mission and adhering to the corporate values of “openness, innovation, cohesion, pragmatism, accountability, listening and inclusiveness”. The PRC will facilitate the application of natural gas energetically during the “13th Five-Year Plan” period. According to the Opinions on Speeding up in Promoting the Utilisation of Natural Gas jointly issued by 13 departments and committees including NDRC officially, it clearly pointed out that PRC will gradually foster natural gas as the main energy of the domestic modern clean energy system and strive to achieve the proportion of natural gas in the one-time energy consumption structure by about 10% by 2020. With clean fuel alternative and emerging market development as the main starting point, the PRC will focus on making breakthrough in the four sectors, namely city gas, gas-fired power generation, industrial gas and transportation gas, and make significant deployment in policy protection, resource supply protection and other aspects. The Group will follow the policy guidance closely, and actively explore industry’s market opportunities. The Group will exert its own advantages, and continue to consolidate the trading and distribution of natural gas, city gas infrastructure and transportation gas, whilst continuously leveraging on the “coal-to-gas” policy opportunities, intensifying its efforts in market development to improve the overall scale of the industrial “coal-to-gas conversion” business. Through standardised management system and all-round performance benchmark management measures, the Group will constantly improve and enhance its operational and financial efficiencies in order to ensure an ongoing and sustainable business growth.

During HY2017, the Company has been included in the Hang Seng Mainland China Oil and Gas Index, Hang Seng Global Composite Index, and Hang Seng Composite Index Series (including the Hang Seng Composite Index, the Hang Seng Composite Industry Index – Energy Sector, the Hang Seng Composite SmallCap Index and the Hang Seng Composite MidCap and SmallCap Index) for the first time, demonstrating a recognition of the Company’s performance in market capitalisation, trading volume and liquidity, as well as reflecting the Hong Kong capital market’s confidence in the Company. It can help to foster the Company’s shareholder diversification, and further enhance shares liquidity and broaden its shareholders base. Besides, the Company also brought in new investors, including China Huarong International Holdings Limited (“China Huarong”) and Central China International Investment Company Limited (“Central China”), to further enhance our capital strengths. With the tremendous advantages of the industry and financial resources gained from Beijing Gas, our single largest shareholder, we will continue to explore and identify more potential opportunities with them, in terms of co-investments and cooperation at both project and regional levels, thereby generating more synergies and investment value for investors and shareholders.

## USE OF PROCEEDS

On 16 December 2016, the Company entered into a convertible bond subscription agreement in the principal amount of HK\$200,000,000 with Talent Impact Enterprises Corp., a direct wholly-owned subsidiary of China Orient Asset Management (International) Holdings Limited, which in turn is an indirect wholly-owned subsidiary of China Orient Asset Management Co., Ltd., a company established in the PRC whose ultimate beneficial owners are the PRC Ministry of Finance and National Council for Social Security Fund, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK\$0.67 per conversion share (the “December 2016 Placement”) to the investor. As at the date of the subscription agreement, the closing market price of the Company’s shares as quoted on the Stock Exchange was HK\$0.61 per share.

On 29 December 2016, the December 2016 Placement was completed. The net proceeds from the issue of convertible bond after deducting related transaction costs was HK\$189.9 million, of which (i) HK\$137.4 million was used for mergers and acquisitions of natural gas projects, (ii) HK\$52.5 million was used for general working capital.

On 13 April 2017, the Company entered into a convertible bond subscription agreement in the principal amount of HK\$200,000,000 with China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK\$0.67 per conversion share (the “13 April 2017 Placement”) to the investor. As at the date of the subscription agreement, the closing market price of the Company’s shares as quoted on the Stock Exchange was HK\$0.57 per share.

On 4 May 2017, the 13 April 2017 Placement was completed. The net proceeds from the issue of convertible bond after deducting related transaction costs was HK\$167.6 million, of which (i) HK\$130.1 million was used for mergers and acquisitions of natural gas projects, (ii) the remaining balance of HK\$37.5 million to be utilised for mergers and acquisitions of natural gas related projects.

On 18 April 2017, the Company entered into a convertible bond subscription agreement in the principal amount of HK\$150,000,000 with Central China International Investment Company Limited, a company with limited liability incorporated in Hong Kong, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK\$0.67 per conversion share (the “18 April 2017 Placement”) to the investor. As at the date of the subscription agreement, the closing market price of the Company’s shares as quoted on the Stock Exchange was HK\$0.57 per share.

On 24 April 2017, the 18 April 2017 Placement was completed. The net proceeds from the issue of convertible bond after deducting related transaction costs was HK\$123.3 million, of which the balance of (i) HK\$77.5 million to be utilised for mergers and acquisitions of natural gas projects, (ii) HK\$25.8 million to be utilised for capital expenditure of existing projects, and (iii) HK\$20.0 million to be utilised for general working capital.

## CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, obligations under finance leases, convertible bonds, and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK\$160.8 million as at 30 June 2017 (31 December 2016: HK\$91.4 million), an increase of 75.9% from 31 December 2016.

The Group had total borrowings of HK\$1,076.3 million as at 30 June 2017 (31 December 2016: HK\$675.4 million). The Group's gearing ratio, which is total borrowings divided by the total equity was 32.2% (31 December 2016: 20.6%).

As at 30 June 2017 and 31 December 2016, there were no bank borrowings.

The Group's non-current assets increased to HK\$4,117.1 million (31 December 2016: HK\$3,654.1 million), primarily due to the increase in (i) goodwill of HK\$326.6 million; and (ii) intangible assets of HK\$296.9 million.

As at 30 June 2017, the Group's current assets amounted to HK\$875.0 million (31 December 2016: HK\$635.0 million), mainly comprised of trade and other receivables of HK\$275.3 million (31 December 2016: HK\$312.6 million), financial assets at fair value through profit or loss of HK\$183.5 million (31 December 2016: HK\$125.5 million), promissory note receivables of HK\$178.3 million (31 December 2016: HK\$10.0 million), cash and bank balances of HK\$160.8 million (31 December 2016: HK\$91.4 million) and amount due from joint ventures of HK\$55.2 million (31 December 2016: HK\$66.0 million).

As at 30 June 2017, the Group's current liabilities of HK\$574.3 million (31 December 2016: HK\$321.4 million), comprised of trade and other payables of HK\$226.6 million (31 December 2016: HK\$140.6 million), embedded derivatives at fair value through profit or loss of HK\$139.1 million (31 December 2016: HK\$60.9 million), other borrowings of HK\$87.1 million (31 December 2016: nil) convertible bonds of HK\$62.2 million (31 December 2016: HK\$108.7 million) and obligation under finance leases of HK\$50.2 million (31 December 2016: HK\$2.1 million).

As at 30 June 2017, the net current assets of the Group amounted to HK\$300.6 million (31 December 2016: HK\$313.7 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.52 as at 30 June 2017 (31 December 2016: 1.98).

After 30 June 2017 and up to the date of this announcement, the Company has entered into separate agreements with independent third parties in respect of the issue of the corporate bonds by the Company and details of the subscription are as follow:

| <b>Subscribers</b>           | <b>Issue Date</b>    | <b>Principal amount<br/>(HK\$'000)</b> |
|------------------------------|----------------------|----------------------------------------|
| 4 years corporate bond       |                      |                                        |
| Tong Xin (童欣)                | 13-July-2017         | 10,000                                 |
| 1 to 3 years corporate bonds |                      |                                        |
| Other corporate bonds        | July and August 2017 | 90,000                                 |
|                              |                      | <u>100,000</u>                         |

During the period ended 30 June 2017, 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 2017, there were 588 (31 December 2016: 360) 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, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

Salaries of and allowances for the Group's employees for the six months ended 30 June 2017 were HK\$46.5 million (six months ended 30 June 2016: HK\$32.7 million).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

## **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group had no material contingent liabilities.

## **DIVIDEND**

The Board did not recommend a payment of interim dividend for the HY2017.

## **REVIEW BY AUDIT COMMITTEE**

The audit committee comprises four members, namely Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin, all being independent non-executive Directors. It has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The audit committee has reviewed with the management the condensed consolidated financial statements of the Company for the period ended 30 June 2017.

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

During the six months ended 30 June 2017, 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 Rules Governing the Listing of Securities on SEHK (the “**Listing Rules**”). The Company has complied with the code provisions listed in the CG Code during the HY2017 except for the following deviations:

### **Code Provision A.6.7**

Under code provision A.6.7, 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, was unable to attend the special general meeting and the annual general meeting of the Company held on 8 February 2017 and 9 June 2017, respectively due to other business commitments.

Mr. Pang Siu Yin, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 9 June 2017 due to other business commitments.

### **Code Provision E.1.2**

Under code provision E.1.2, 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 9 June 2017 due to other business commitments.

## **COMPLIANCE WITH THE MODEL CODE**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 transactions 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 period ended 30 June 2017.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)), SGX-ST ([www.sgx.com](http://www.sgx.com)) and the Company ([www.bgbluesky.com](http://www.bgbluesky.com)). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the aforesaid websites in due course.

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

Hong Kong, 30 August 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ming Kit, Mr. Sze Chun Lee, Mr. Hung Tao, Mr. Hu Xiaoming, Mr. Tam Man Kin and Mr. Li Weiqi; the non-executive director of the Company is Mr. Zhi Xiaoye; and the independent non-executive directors of the Company are Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin.*