BEIJING GAS BLUE SKY HOLDINGS LIMITED
北京燃氣藍天控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6828)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS:

- Revenue increased by 129.0% to HK$1,451.1 million
- Total gas sales volume increased by 80.1% to 513.3 million cubic meters
- EBITDA of the Company increased by 6.5% to 244.7 million. By excluding one off gain on disposal or deemed disposal of subsidiaries, joint venture and associate, EBITDA of the Company increased by 751.8% to HK$146.9 million

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Beijing Gas Blue Sky Holdings Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue		**1,451,140**	633,776
Cost of sales		**(1,283,566)**	(586,621)
Gross profit		**167,574**	47,155
Other gains and losses	*6*	**99,924**	77,708
Other income	*7*	**13,411**	7,013
Administrative expenses		**(180,071)**	(123,054)
Other expenses		**(16,993)**	(12,971)
Finance costs	*8*	**(165,652)**	(95,743)
Share of loss of associates		**(4,833)**	(10,599)
Share of profit/(loss) of joint ventures		**1,883**	(2,499)
Gain on deemed partial disposal of an associate		**239**	3,830
Gain on disposal of a joint venture		**10,049**	–
Gain on disposal of a subsidiary		**14,627**	–
Gain recognised on deemed disposal of subsidiaries		**–**	208,664
(Loss)/profit before income tax	*9*	**(59,842)**	99,504
Income tax expense	*10*	**(5,791)**	(378)
(Loss)/profit for the year from continuing operations		**(65,633)**	99,126
Discontinued operation			
Profit/(loss) for the year from discontinued operation		**69,448**	(13,831)
Profit for the year		**3,815**	85,295
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Exchange gain/(loss) arising on translation to presentation currency		**21,657**	(27,095)
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		**13,673**	(38,678)
		35,330	(65,773)
Total comprehensive income for the year		**39,145**	19,522

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Profit for the year attributable to owners of the Company			
Continuing operations		**(82,791)**	112,984
Discontinued operation		**70,302**	(13,108)
		(12,489)	99,876
Non-controlling interests		**16,304**	(14,581)
		3,815	85,295
Total comprehensive income for the year attributable to:			
Owners of the Company		**18,962**	37,029
Non-controlling interests		**20,183**	(17,507)
		39,145	19,522
(Loss)/earnings per share	*12*		
From continuing and discontinued operations			
– Basic		**HK(0.13) cents**	HK1.28 cents
– Diluted		**HK(0.32) cents**	HK1.27 cents
From continuing operations			
– Basic		**HK(0.84) cents**	HK1.45 cents
– Diluted		**HK(1.00) cents**	HK1.44 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Prepaid lease payments		**51,681**	20,061
Property, plant and equipment		**727,905**	240,476
Investment properties		**–**	103,447
Intangible assets		**1,306,494**	549,296
Goodwill	*13*	**1,212,765**	856,887
Interests in associates		**210,320**	214,913
Interests in joint ventures		**374,866**	419,643
Deposits for acquisition of subsidiaries		**651,477**	944,248
Deposits for acquisitions of property, plant and equipment		**86,477**	84,012
Prepayment		**19,472**	11,687
Financial assets at fair value through profit or loss		**–**	47,278
Promissory notes receivables		**7,410**	26,849
Available-for-sale investments		**134,828**	134,801
Other non-current assets		**300**	456
		4,783,995	3,654,054
Current assets			
Prepaid lease payments		**4,674**	728
Inventories		**22,369**	8,642
Amounts due from customers for contract works		**6,776**	–
Trade and other receivables	*14*	**703,296**	312,572
Amounts due from non-controlling shareholders of subsidiaries		**12,447**	18,562
Amounts due from joint ventures		**15,539**	65,978
Amounts due from associates		**18,865**	–
Tax recoverable		**–**	1,590
Promissory note receivable		**22,968**	10,000
Financial assets at fair value through profit or loss		**220,909**	125,527
Cash and bank balances		**127,725**	91,426
		1,155,568	635,025
Current liabilities			
Trade and other payables	*15*	**462,053**	140,636
Amounts due to customers for contract works		**1,006**	–
Bank and other borrowings	*16*	**253,902**	–
Obligation under finance leases		**83,214**	2,143
Convertible bonds	*18*	**129,160**	108,709
Embedded derivatives at fair value through profit or loss		**23,239**	60,875
Amounts due to non-contnolling interests of subsidiaries		**155,703**	–
Amounts due to joint ventures		**15,280**	8,998
		1,123,557	321,361

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Net current assets		**32,011**	313,664
Total assets less current liabilities		**4,816,006**	3,967,718
Capital and reserves			
Share capital	*17*	**541,362**	529,915
Reserves		**2,758,023**	2,677,956
Equity attributable to owners of the Company		**3,299,385**	3,207,871
Non-controlling interests		**110,523**	67,823
Total equity		**3,409,908**	3,275,694
Non-current liabilities			
Obligations under finance leases		**83,638**	1,820
Bank and other borrowings	*16*	**478,750**	293,000
Convertible bonds	*18*	**517,961**	260,752
Deferred tax liabilities		**325,749**	136,452
		1,406,098	692,024
		4,816,006	3,967,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were delisted on Singapore Exchange Securities Trading Limited ("SGX-ST") on 23 February 2018.

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 consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). As the Company is a listed entity in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRS standards 2014-2016 Cycle*

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

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.

5. SEGMENT INFORMATION

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.

A reportable and operating segment of the Group, namely "Sales of book and specialised products" was discontinued as the Group has disposed it during the year ended 31 December 2017. 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 year ended 31 December 2017

Continuing operations

	Natural gas for transportation *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas and other related products *HK$'000*	Consolidated *HK$'000*
External segment revenue	**74,783**	**876,836**	**499,521**	**1,451,140**
Inter-segment sales	**–**	**207,284**	**–**	**207,284**
	74,783	**1,084,120**	**499,521**	**1,658,424**
Segment profit	**5,949**	**6,530**	**93,615**	**106,094**
Other income and other gains and losses				**113,335**
Central corporate expenses				**(113,619)**
Finance costs				**(165,652)**
Loss before income tax				**(59,842)**

Segment profit for the year ended 31 December 2017 consists of a gain on disposal of subsidiary of HK$14.6 million and a gain on disposal of a joint venture of HK$10.0 million:

(i) Disposal of 100% equity interests in Fan Dream Limited ("Fan Dream"), 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.

(ii) Disposal of 59.38% equity interests in My Palace Trading Limited ("My Palace"), a partially owned joint venture, at a cash consideration of HK$86,811,000 (the "My Palace Disposal") to an independent third party. The My Palace Disposal results in gain on disposal of a joint venture of HK$10.0 million.

For the year ended 31 December 2016

	Natural gas for transportation *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas and other related products *HK$'000*	Consolidated *HK$'000*
External segment revenue	75,775	529,102	28,899	633,776
Inter-segment sales	–	4,567	–	4,567
	75,775	533,669	28,899	638,343
Segment profit	4,313	11,956	189,073	205,342
Other income and other gains and losses				84,721
Central corporate expenses				(94,533)
Finance costs				(95,743)
Share of loss of certain associate				(283)
Profit before income tax				99,504

Segment profit for the year ended 31 December 2016 consists of gain recognised on deemed disposal of subsidiaries of HK$208.7 million:

(i) Disposal of 25% equity interests in Wuhan Zheng Weili Co. Ltd. ("Wuhan Zheng Weili"), a non-wholly owned subsidiary, at a cash consideration of RMB7,500,000 (equivalent to HK$8,925,000) (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 Wuhan Zheng Weili. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000 (equivalent to HK$26,775,000), resulting in a deemed gain of disposal of subsidiaries of HK$17.9 million; and

(ii) Disposal of 16% equity interests in New Phoenix Global Limited ('New Phoenix"), at a cash consideration of HK$45,000,000 (the "New Phoenix Disposal"). On the same date, the Company and the other two independent third parties entered into shareholders agreement which resulted in a loss of control of New Phoenix. Accordingly, the New Phoenix Disposal was treated as deemed disposal of 73% owned subsidiary at a deemed fair value of HK$205,313,000, resulting in a deemed gain of disposal of subsidiaries of HK$190.8 million.

Segment profit represents the profit from by each segment without allocation of other income and other gains and losses, central corporate expenses (including but not limited to directors' emoluments), finance costs, share of loss of certain associate and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Geographical information

The Group's operations are located in the People's Republic of China ("PRC") (country of domicile) including Hong Kong.

Information about the Group's revenue from external customers from continuing operations is presented based on customers' location of the operations.

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
The PRC	**1,451,140**	633,776

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from continuing operations are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**289,422**	162,940

Notes:

1 Revenue related to trading and distribution of natural gas segment.

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Government grants	**2,387**	4,524
Investment income	**–**	31,666
Net exchange (loss)/gain	**(22,937)**	26,627
Impairment losses on trade receivables	**(763)**	–
Change in fair value of embedded derivatives at fair value through profit or loss	**94,798**	(173)
Change in fair value of financial assets at fair value through profit or loss	**26,439**	15,064
	99,924	77,708

7. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**9,687**	5,410
Rental income	**95**	606
Gas appliances income	**2,054**	–
Sundry income	**1,575**	997
	13,411	7,013

8. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Finance charges on obligations under finance leases	**8,145**	738
Interest on bank borrowings	**1,391**	–
Interest on other borrowings	**24,730**	15,188
Interest on amount due to an associate	**–**	2,304
Interest on convertible bonds	**131,386**	77,513
	165,652	95,743

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
(Loss)/profit before income tax is arrived at after charging:		
Auditor's remuneration	**3,000**	1,900
Amortisation of intangible assets*	**44,292**	22,636
Cost of inventories recognised as expense*	**1,283,566**	586,621
Depreciation of property, plant and equipment#	**21,247**	17,271
Employee benefit expenses* (including directors' emoluments)		
– Salaries and allowances	**68,804**	53,862
– Contribution to defined contribution plans	**12,961**	8,017
– Share-based payment (included in administrative expenses)	**6,727**	7,905
	88,492	69,784
Amortisation of prepaid lease payments	**1,507**	888
Operating lease charges on premises	**9,189**	7,746
Impairment losses on trade receivables *(note 15)*	**763**	–
Legal and professional fees (included in other expenses)	**16,330**	11,891

* Included in cost of inventories are depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses of HK$50,230,000 (2016: HK$26,821,000 in aggregate), which have also been included in the respective total amounts as disclosed above.

\# Depreciation of property, plant and equipment disclosed above included depreciation on leased assets of HK$11,032,000 (2016: HK$2,415,000).

10. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC Enterprise Income Tax ("EIT")	**(17,146)**	(6,037)
Deferred tax	**11,355**	5,659
Total income tax expense	**(5,791)**	(378)

No Hong Kong Profits Tax has been provided as the Company and its subsidiaries did not generate any assessable profits in Hong Kong for both years.

Under the Law of the PRC EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

11. DIVIDEND

The Board did not recommend a payment of dividend for the years ended 31 December 2016 and 2017.

12. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company for the purposes of basic (loss)/earnings per share	**(12,489)**	99,876
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**59,229**	–
Change in fair value of embedded derivatives at fair value through profit or loss	**(79,816)**	–
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	**(33,076)**	99,876

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**9,816,522,234**	7,779,977,895
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**N/A**	46,798,899
Convertible bond issued by the Company	**496,422,000**	12,412,210
	496,422,000	59,211,109
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**10,312,944,234**	7,839,189,004

For the year ended 31 December 2017, the computation of diluted loss per share does not assume the conversion of the company's share options since their assumed conversion would result in a decrease in loss per share.

From continuing operations

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company	**(12,489)**	99,876
Less: (Profit)/loss for the year from the discontinued operation	**(70,302)**	13,108
(Loss)/earnings for the purpose of basic (loss)/earnings per share from continuing operations	**(82,791)**	112,984
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**59,229**	–
Change in fair value of embedded derivatives at fair value through profit or loss	**(79,816)**	–
(Loss)/earnings for the purpose of diluted (loss)/earnings per share from continuing operation	**(103,378)**	112,984

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

From discontinued operation

Basic earnings per share from discontinued operation is HK0.72 cents per share (2016: HK0.17 cents loss per share) and diluted earnings per share from the discontinued operation are HK0.68 cents per share (2016: HK0.17 cents loss per share), based on the profit for the year from discontinued operation of HK$70,302,000 (2016: loss of HK$13,108,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

13. GOODWILL

	HK$'000
COST AND CARRYING VALUE	
At 1 January 2016	501,470
Acquisition of subsidiaries	355,417
At 31 December 2016	856,887
Acquisition of subsidiaries	355,878
At 31 December 2017	1,212,765

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. Particulars regarding impairment testing on goodwill are disclosed in the annual report.

14. TRADE AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables		**254,983**	91,900
Less: Impairment losses	*(a)*	**(763)**	(4,063)
Trade receivables – net	*(b), (c)*	**254,220**	87,837
Prepayments and other receivables	*(d)*	**449,076**	224,735
		703,296	312,572

Notes:

(a) Movements in the Group's impairment losses on trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**4,063**	4,063
Disposal of a subsidiary	**(4,063)**	–
Impairment losses recognised	**763**	–
At 31 December	**763**	4,063

At each reporting date, the Group reviews its trade receivables for impairment on both an individual and collective basis. As at 31 December 2017, the Group determined trade receivables of HK$763,000 (2016: HK$4,063,000) as individually impaired. Based on this assessment, impairment losses of HK$763,000 (2016: Nil) are recognised during the year. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments or have been past due for more than one year and have not responded to repayment demands.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

(b) The Group generally allows a credit period of 30 to 90 days (2016: 30 to 90 days) to its trade customers for natural gas business. 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:

	2017 HK$'000	2016 HK$'000
0 – 90 days	**212,017**	86,584
91 – 120 days	**888**	2
121 – 180 days	**37,345**	102
181 – 365 days	**3,970**	1,149
	254,220	87,837

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**153,422**	86,584
0 – 90 days past due	**58,598**	–
91 – 180 days past due	**38,230**	104
Over 181 days	**3,970**	1,149
	254,220	87,837

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.

(d) The balance as at 31 December 2017, included (i) prepayment of purchase of natural gas of HK$102,416,000 (31 December 2016: HK$87,803,000); (ii) two loan receivables of HK$26,034,000 (31 December 2016: HK$23,784,000) and HK$54,560,000 (31 December 2016: Nil). These loan receivables are short term loan advance to independent third parties, which are unsecured, interest bearing at 12% and 18% per annum respectively and repayable within one year; (iii) a bond receivable of HK$12,104,000 (31 December 2016: Nil). The bond receivable is a zero coupon rate bond issued to an independent third party, the bond is redeemable within one year. The Group reviewed the recoverable amount of the loan receivables and bond receivable at the end of the reporting period and considered no impairment losses are required; and (iv) the consideration receivable of HK$86,811,000 arising from the My Palace Disposal (31 December 2016: consideration receivable of HK$45,000,000 arising from the New Phoenix Disposal).

15. TRADE AND OTHER PAYABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade payables	*(a)*	**143,262**	29,286
Accrued charges and other creditors	*(b)*	**77,965**	61,915
Construction cost payables		**72,218**	30,338
Advances received from customers for sales of natural gas		**84,337**	19,097
Advances received from customers for contract work		**84,271**	–
		462,053	140,636

Notes:

(a) 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:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**135,375**	26,067
91 – 180 days	**2,614**	–
181 – 365 days	**2,136**	–
Over 365 days	**3,137**	3,219
	143,262	29,286

(b) The balance as at 31 December 2017 included commission payables of HK$16,550,000 in relation to the issue of convertible bonds for the year ended 31 December 2017.

16. BANK AND OTHER BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Unsecured bank borrowings	**106,024**	–
Unsecured corporate bonds *(note a)*	**539,500**	293,000
Unsecured other borrowing *(note b)*	**87,128**	–
	732,652	293,000
Carrying amount repayable*:		
Within one year	**253,902**	–
More than one year, but not exceeding two years	**202,738**	–
More than two years, but not exceeding five years	**225,012**	225,000
More than five years	**51,000**	68,000
	732,652	293,000
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**253,902**	–
Amounts shown under non-current liabilities	**478,750**	293,000

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured bank borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate bank borrowings	**7%**	–
Variable-rate bank borrowings	**3.0% – 3.58%**	–

As at 31 December 2017, out of the total unsecured bank borrowing balances of approximately HK$106,024,000, HK$70,000,000 of which are denominated in HK$.

Notes:

(a) The unsecured corporate bonds issued by the Company during the year ended 31 December 2017 amounted to HK$246,500,000 (2016: HK$110,500,000). The unsecured bonds have maturity of one to eight years (2016: three to eight years) until 2024 (2016: 2024) and carry interest at 2% to 8% (2016: 4.8% to 8%) per annum. Transaction costs of approximately HK$7,359,000 (2016: HK$11,050,000) have been incurred and the corporate bonds carry effective interest at 6.77% (2016: 7.5%) per annum.

(b) The unsecured other borrowing has maturity period of more than 1 year and carry interest at 8% per annum.

17. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.055 each		
Authorised share capital		
At 1 January 2016, 31 December 2016 and 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 *(note i)*	2,155,555,555	118,556
Issue of shares upon conversion of convertible notes and convertible bonds *(note ii)*	1,155,104,983	63,530
Issue of shares for acquisition of subsidiaries *(note iii)*	158,333,333	8,708
Issue of shares upon exercise of share options *(note iv)*	66,191,100	3,641
At 31 December 2016	9,634,825,844	529,915
Issue of shares upon conversion of convertible bonds *(note v)*	163,750,000	9,006
Issue of shares upon exercise of share options *(note vi)*	44,369,850	2,441
At 31 December 2017	9,842,945,694	541,362

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 the 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 the exercises of the share options of the Company.

(v) During the year ended 31 December 2017, a total of 163,750,000 new ordinary shares of HK$0.055 each were issued upon conversion of convertible bonds of the Company.

(vi) During the year ended 31 December 2017, a total of 44,369,850 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.

18. CONVERTIBLE BONDS

	Notes	Liability component 2017 HK$000	2016 HK$000
Convertible Bonds I	*a*	**53,736**	96,379
Convertible Bonds II	*b*	**58,992**	48,951
Convertible Bonds III	*c*	**16,432**	12,305
Convertible Bonds IV	*d*	**100,054**	82,482
Convertible Bonds V	*e*	**159,170**	129,344
Convertible Bonds VI	*f*	**108,617**	–
Convertible Bonds VII	*g*	**150,120**	–
		647,121	369,461
Carrying amount repayable:			
Within one year		**129,160**	108,709
More than one year, but not exceeding two years		**367,841**	48,951
More than two years, but not exceeding five years		**150,120**	211,801
		647,121	396,461
Less: Amounts due within one year shown under current liabilities		**(129,160)**	(108,709)
Amounts due after one year shown under non-current liabilities		**517,961**	260,752

Notes:

(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:

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

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%.

(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 24 April 2017, the Company issued HK$150,000,000, 3.8% convertible bonds (the "Convertible Bonds VI") The Convertible Bonds VI 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 VI at the redemption amount which shall be calculated in accordance to the following formula:

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

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

The Convertible Bonds VI contain liability component and conversion option. The Company's its functional currency 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 4 May 2017, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds VII"). The Convertible Bonds VII will mature on the date falling on the third anniversary of the date of Convertible Bonds VII 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 VII. If the Convertible Bonds VII have not been converted, they will be redeemed on the maturity date at 106% of the principal amount. The Convertible Bonds VII contain liability component and conversion option.

The Convertible Bonds VII contain liability component and conversion option. The Company's functional currency 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.

19. ACQUISITION OF MAJOR SUBSIDIARIES

On 2 May 2017, the Group entered into two acquisition agreements to purchase the entire issued share capital of OctoNet Limited and August Zone Limited together with its subsidiaries (collectively "OctoNet and August Zone Group") at a total consideration of HK$415.9 million. The transactions were completed on 12 May 2017. OctoNet and August Zone Group are engaged in the business of city gas and other related products in Jilin province. Goodwill of HK$224.2 million and intangible asset of HK$460.7 million arising on the acquisition of OctoNet and August Zone Group are attributable to the anticipated profitability of its business. During the year, OctoNet and August Zone Group contributed to the Group's revenue and profit of HK$130.7 million and HK$27.4 million respectively.

On 8 June 2017, the Group entered into an acquisition agreement to purchase the entire issued share capital of Top Grand Global Limited, which indirectly held 98% equity interest of Shenzhen Yuhai Energy Company Limited ("Yuhai") and Yuhai held 51% equity interest in Chongqing Saiguangbo Technology Company Limited which in turn held 100% equity interest in Shanxi Minsheng Natural Gas Co., Ltd. ("Shanxi Minsheng") and Yongji Minsheng Natural Gas Co., Ltd. ("Yongji Minsheng"), at a consideration of HK$408.3 million. The transaction was completed on 31 October 2017. Shanxi Minsheng and Yongji Minsheng are engaged in (i) supply of piped gas; and (ii) operation of CNG refueling stations. Goodwill of HK$131.7 million and intangible asset of HK$350.2 million were arisen on the acquisition of Top Grand Global Limited. During the year, Shanxi Minsheng and Yongji Minsheng contributed to the Group's revenue and profit of HK$150.1 million and HK$77.4 million respectively.

20. COMMITMENTS

Capital commitments

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

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided:		
– property, plant and equipment	**24,857**	27,757
– acquisition of subsidiaries	**152,000**	152,000
	176,857	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:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**3,261**	15,100
In the second to fifth year inclusive	**2,876**	8,166
More than five years	**2,864**	6,890
	9,001	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 equipments under non-cancellable operating leases are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**347**	319
In the second to fifth year inclusive	**–**	–
	347	319

The Group leases its equipments under operating leases. The leases run for an initial period of 1 year and require the tenants to pay security deposits. The leases do not include contingent rentals.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties:

	2017	2016
	HK$'000	*HK$'000*
Finance cost in related to finance lease obligation with an associate *(note a)*	**–**	770
Finance cost in related to finance lease obligation with a joint venture *(note c)*	**8,126**	–
Purchases of goods *(note b)*	**2,540**	6,808
Interest paid to an associate	**–**	2,304
Key management personnel remuneration		
Short-term employee benefits	**16,447**	12,560
Post-employment benefits	**403**	304
Share based payments	**3,807**	6,708
	31,323	29,454

Note a: During the year ended 31 December 2016, the Group entered into finance lease agreement with one of the associates.

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

Note c: During the year ended 31 December 2017, the Group entered into finance lease agreement with one of the joint ventures.

22. PLEDGE OF ASSETS

As at 31 December 2017, certain plant and equipment which amounted to HK$185,549,000 (31 December 2016: HK$1,133,190) were pledged under finance leases.

23. SUBSEQUENT EVENTS

(i) On 24 January 2018, the Company entered into a subscription agreement with the subscriber, pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for 150,000,000 new Shares of the Company at the subscription price of HK$0.57 per subscription Share. Details of the transaction were disclosed in the Company's announcement dated 24 January 2018.

(ii) In consideration of lack of liquidity of the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the administrative overhead and costs of compliance incurred in the listing on the SGX-ST, the Board resolved to voluntarily delist the Company's shares from the SGX-ST. The delisting was effective on 23 February 2018. Details of the delisting of the Company's Shares from SGX-ST were disclosed in the Company's announcements dated 13 October 2017, 27 October 2017, 1 February 2018 and 21 February 2018.

(iii) On 5 March 2018, the Company entered into a convertible bond agreement with an investor, pursuant to which the investor conditionally agreed to subscribe, and the Company conditionally agreed to issue convertible bonds in an aggregate principal amount of HK$180,000,000 at the conversion price of HK$0.57 per conversion Share. Upon conversion in full, a total of 315,789,473 conversion Shares will be allotted and issued. As at the date of this announcement, issue of convertible bonds has not been completed. Details of the transaction were disclosed in the Company's announcement dated 5 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2017, China's macroeconomic development steadily improved. Reform of the energy industry has been further promoted. Local governments have successively rolled out plans to ensure execution of clean energy heating projects. Natural gas consumption achieved rapid growth nationwide and reached 237.3 billion cubic meters, representing an increase of 15.3% over the previous year. During the reporting period, the Group continued to focus on the operation and investment of the natural gas business and kept on ramping up the operation scale, with its current business in the PRC covering places including Liaoning Province, Jilin Province, Shaanxi Province, Shanxi Province, Shandong Province, Anhui Province, Zhejiang Province, Hubei Province, Guizhou Province, Sichuan Province and Hainan Province. For the year ended 31 December 2017, the Group recorded total revenue of HK$1,451.1 million, up by 129.0% as compared with the corresponding period of last year. Gross profit increased from HK$47.2 million to HK$167.6 million. Segment profit of the Group reached HK$106.1 million, dropped by 48.3% as compared with the corresponding period of last year due mainly to the reduction in gain recognised on disposal of equity interest in subsidiaries. The Group together with its associates and joint ventures recorded total gas sales volume of 513.3 million cubic meter, up by 80.1% as compared with the corresponding period of last year (2016: 285.0 million cubic meters).

The Group's together with its associates and joint ventures have the following major natural gas projects in year 2017:

	Project Name	Equity Interests held	Status	LNG/CNG refueling stations As of December			City Gas and power generation project As of December		Direct supply As of December		Trading and distribution As of December		Total As of December	
				No.of Stations	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume	Volume
					m3	*%*	*m3*	*%*	*m3*	*%*	*m3*	*%*	*m3*	*%*
Subsidiaries	Liaoning Benxi	89%	Existing	1	327,300	0.4%	1,768,268	4.1%	–	0.0%	–	0.0%	2,095,568	0.4%
	Shandong Jinan	60%	Disposed in June 2017	2	840,000	1.1%	–	0.0%	–	0.0%	–	0.0%	840,000	0.2%
	Jinan Guoxu	70%	Existing	0	–	–	0.0%	0.0%	3,868,496	7.0%	–	0.0%	3,868,496	0.8%
	Shandong Tengzhou	100%	Existing	1	2,136,974	2.8%	–	0.0%	1,138,051	2.1%	17,675,284	5.2%	20,950,309	4.1%
	Shandong Chiping	100%	Existing	1	472,400	0.6%	–	0.0%	–	0.0%	7,247,968	2.1%	7,720,368	1.5%
	Shandong Power Energy	100%	Existing	–	–	0.0%	–	0.0%	12,035,500	21.7%	901,040	0.3%	12,936,540	2.5%
	Guizhou Liupanshui	100%	Existing	2	2,999,434	4.0%	–	0.0%	–	0.5%	–	0.0%	2,999,434	0.6%
	Anhui Power Energy	100%	Existing	–	–	0.0%	–	0.0%	305,355	0.6%	216,026,486	63.6%	216,331,841	42.1%
	Hainan Xinyuan	48%	Existing	7	15,099,300	20.1%	–	0.0%	187,597	0.3%	23,240,253	6.9%	38,527,150	7.5%
	Ningbo Beilun	100%	Existing	–	–	0.0%	–	0.0%	6,588,797	11.9%	2,772,364	0.8%	9,361,161	1.8%
	Zhejiang Huzhou	100%	Existing	–	–	0.0%	–	0.0%	30,939,225	55.9%	18,968,628	5.6%	49,907,853	9.7%
	Shaanxi Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	–	0.0%	11,239,533	3.3%	11,239,533	2.2%
	Hebei Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	–	0.0%	13,538,336	4.0%	13,538,336	2.6%
	Anhui Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	291,716	0.5%	–	0.0%	291,716	0.1%
	Jilin Songyuan	100%	Acquired in May 2017	2	1,062,600	1.4%	15,450,432	35.7%	–	0.0%	–	0.0%	16,513,032	3.2%
	Shanxi Minsheng	50%	Acquired in Nov 2017	5	1,868,700	2.5%	19,473,700	45.0%	–	0.0%	–	0.0%	21,342,400	4.2%
	Yongji Minsheng	50%	Acquired in Nov 2017	2	172,600	0.2%	4,709,200	10.9%	–	0.0%	–	0.0%	4,881,800	0.90%
			Subtotal	**23**	**24,979,308**	**33.2%**	**41,401,600**	**95.7%**	**55,354,737**	**100%**	**311,609,892**	**91.8%**	**433,345,537**	**84.4%**
Associates	Hainan Zhongyou Jiarun	40%	Existing	3	8,592,553	11.4%	–	0.0%	–	0.0%	–	0.0%	8,592,553	1.6%
	Hainan Dazhong	12%	Existing	8	34,340,000	45.6%	–	0.0%	–	0.0%	–	0.0%	34,340,000	6.7%
	Hefei Kunlun Energy	30%	Existing	5	7,385,449	9.8%	–	0.0%	–	0.0%	27,795,742	8.2%	35,181,191	6.9%
			Subtotal	**16**	**50,318,002**	**66.8%**	**–**	**0%**	**–**	**0%**	**27,795,742**	**8.2%**	**78,113,744**	**15.2%**
Joint Ventures	Sichuan	45%	Disposed in December 2017	-	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Wuhan Power Energy	50%	Existing	-	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Hubei Huanggang	30%	Existing	-	–	0.0%	1,878,925	4.3%	–	0.0%	–	0.0%	1,878,925	0.4%
			Subtotal	**0**	**–**	**0.0%**	**1,878,925**	**4.3%**	**–**	**0.0%**	**–**	**0.0%**	**1,878,925**	**0.4%**
			Grand Total:	**39**	**75,297,310**		**43,280,525**		**55,354,737**		**339,405,634**		**513,338,206**	

In year 2017, the total gas sales volume from subsidiaries amounted to 433.3 million cubic meters (2016: 248.1 million cubic meters). The total gas sales volume from the associates amounted to 78.1 million cubic meters (2016: 35.8 million cubic meters).

During the reporting period, loss per share was HK0.13 cents (2016: earnings per share was HK1.28 cents). Interest expense from financing amounted to HK$165.7 million, of which actual cash interest expense was HK$63.3 million. EBITDA increased from HK$229.8 million to HK$244.7 million.

During the year ended 31 December 2017, the printing business was terminated. On 26 May 2017, the Company completed the disposal of its remaining 75% interests in Legon Ventures Limited ("Legon") at a consideration of HK$178,000,000.

RESIDENTIAL USERS

In 2017, the Group completed the acquisition of city gas projects in Songyuan City, Jilin Province, Yuncheng city and Yongji city, Shanxi Province. During the period, the Group completed connection of piped gas for 66,717 new residential households, the volume of natural gas sold by the Group together with its associates and joint ventures to residential users amounted to 28.8 million cubic meters, with connection fee income of HK$135.0 million. (2016: HK$4.7 million). The Group will continue to actively seize the opportunities to acquire and invest in quality projects in different regions and further enlarge its market share in natural gas business, which are expected to contribute significantly to gas sales volume, cash flow and net profit of the Group.

INDUSTRIAL AND COMMERCIAL USERS

During the year, the Group together with its associates and joint ventures sold 55 million cubic meters of gas to industrial and commercial users, covering Jilin, Liaoning, Shanxi, Shaanxi, Hubei, Shandong, Anhui, and Zhejiang provinces. Commercial users and public buildings (e.g. schools, restaurants, hospitals and commercial complex) in these regions are using gas-fired boilers for heating and air conditioning to replace the old coal-fired boilers. In line with the national "coal-to-gas" policy, the Group will continue to expand coal-to-gas related business in coastal and inland regions to contribute profit to the Group's overall gas sales volume.

CNG AND LNG REFUELING STATIONS

The Group together with its associates and joint ventures sells natural gas to LNG vehicles (trucks and motor buses) and CNG vehicles (taxis, motor buses and private cars). The Group's refueling gas stations are mainly located in Hainan Province, Anhui Province, Shandong Province, Guizhou Province, Jilin Province and Shanxi Province. During the year ended 31 December 2017, the Group recorded sales income of HK$74.7 million from refuelling gas stations. As of 31 December 2017, the Group together with its associates and joint ventures owned 39 stations including 22 CNG refueling stations and 17 LNG refueling stations for vehicles (2016: a total of 34 stations including 16 CNG refueling stations and 18 LNG refueling stations for vehicles).

TRADING AND DISTRIBUTION OF CNG AND LNG

During the year ended 31 December 2017, the trading and distribution business of the Group recorded an income of HK$1,084.0 million (2016: HK$533.7 million), which were distributed in Anhui Province, Zhejiang Province and Shandong Province. During the year, total sales volume of our Group from trading and distribution was 339.4 million cubic meters, and we owned 67 natural gas transportation vehicles. With its expanding transportation fleet and logistics platform, the Group distributed and traded CNG and LNG as a wholesaler and sales agent to commercial users through direct supply facilities. In addition, the Group is exploring cooperation opportunities with upstream suppliers. The Group is in the process of acquiring a 29% equity interest in CNPC's Caofeidian LNG receiving terminal and owns 10% equity interest in CNPC's Haikou LNG receiving terminal. It distributes LNG with gas sources ultimately from CNOOC's Ningbo receiving terminal and Sinopec's Dongjiakou receiving terminal, which will secure stable supply of natural gas and further consolidate the Group's position as a wholesaler and sales agent in the midstream market.

EXPANSION INITIATIVES

During the year ended 31 December 2017, projects that were newly acquired or in the process of acquisition were:

	Projects	Status	Principal industry
1	Jilin Songyuan	Acquisition was completed in 2017	Piped gas of residential users, commercial users and public buildings as well as 2 CNG refueling stations for vehicles
2	Shanxi Minsheng	Acquisition was completed in 2017	Piped gas of residential users, utilities and industrial and commercial users as well as 5 CNG refueling stations for vehicles
3	Yongji Minsheng	Acquisition was completed in 2017	Piped gas of residential users, utilities and industrial and commercial users as well as 2 CNG refueling stations for vehicles
4	Teng County	In the process of acquisition	Invest in and operate in the city pipeline system, provision and distribution of piped gas
5	PetroChina Jingtang	In the process of acquisition	Provision of port facilities for vessels, cargo handling services, warehousing and loading services within the port area, and receiving, storage and re-gasification of liquefied natural gas

FINANCIAL RESOURCES OF THE GROUP

Cash and bank balances of the Group amounted to HK$127.7 million as of 31 December 2017. Given the Group's ample cash position, relatively low gearing level and quality profile of institutional and industry investors, the Group is expected to expand its investment in the natural gas industry and pursue opportunities for industry consolidation, so as to generate higher return for its shareholders.

As at 31 December 2017, principal amount of the Group's corporate bonds and convertible bonds were HK$539.5 million and HK$815.5 million respectively. The Group's gearing ratio, which is total borrowings divided by total assets, was at 28.9% as at 31 December 2017, which was higher than that as at 31 December 2016. If excluding convertible bonds, the gearing ratio was 18.0% as at 31 December 2017 (7.1% as at 31 December 2016). Cash to total liabilities was 5.0% as at 31 December 2017 (9.0% as at 31 December 2016).

Convertible bonds issuance summary table:

Issue date	Investors	Principal amount *HK$*	Principal amount as at 31 December 2017 *HK$*	Conversion price per share *HK$*	Maturity Date
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
2017-05-04	China Huarong International Holdings Limited	200,000,000	200,000,000	0.67	2020-04-24

FUTURE PROSPECTS

The Group will "adopt a pragmatic approach for changes, seize opportunities and work in solidarity" to enable the Group to "win good appraise, get to a higher stage and to greater height". In accordance with instructions of the National Energy Association Guiding Opinions on Energy Work for 2018, the first year after the 19th National Congress of the Communist Party of China, work will be rolled out comprehensively in promoting the transformation & development of new energy for China. As China enters into the new era, it will strengthen the clean energy industry and steadily improve its natural gas supply. In the future, "coal-to-gas" progress will focus mainly in Beijing-Tianjin-Hebei Region and its surrounding areas, the Yangtze River Delta, the Pearl River Delta and the Northeast China Region. The Group will continue to follow national policies closely by capitalizing upstream resources in relation to the LNG receiving terminal along the coastal "One Belt" region and invest and operate in downstream end-markets across the "One Road" region of inland China. In addition, the Group will leverage on its trading and distribution network to facilitate its full value-chain development.

During the period under review, the Group extended its natural gas business coverage, completed the acquisition of city gas projects in Jilin Province as well as in Yuncheng City & Yongji City, Shanxi Province and is in the midst of acquiring the project in Guangxi and a 29% equity interest in Petrochina Jingtang (Caofeidian LNG receiving terminal). Upon the completion of LNG terminal acquisition, the Group's full value chain business model will be fulfilled. Significant synergy can be crystalised through securing imported LNG supply via the receiving terminal, trading and distribution of LNG for the midstream segment and the consumption of gas for end markets alongside market share gain of the gas business. The Group is also proactively exploring new business model that can potentially provide additional value-added services to our customers. The Group's finance lease platform has been in place since 2017. Meanwhile the Group is on track to establish or enhance its own supply chain financing, LNG trading as well as Industry M&A platform. The Group expects that such initiatives will drive further growth in the future. The Group would maintain its consistency in identifying new projects across the region and enhancing profitability for existing projects, with an aim to raise our profile amongst peers and to increase profitability and value for our shareholders.

FINANCIAL REVIEW

Revenue

Revenue increased by 129.0% from HK$633.8 million for the year ended 31 December 2016 to HK$1,451.1 million for the year ended 31 December 2017, mainly attributable to i) the Company successfully developing the LNG trading business, and ii) completion of acquisition of Jilin Project in May 2017 and Shanxi Project in October 2017. The two acquired projects contributed revenue of HK$130.7 million and HK$150.1 million respectively.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$47.2 million for the year ended 31 December 2016 and HK$167.6 million for the year ended 31 December 2017. The increase was driven mainly by the increased contribution from city gas business.

Segment profit decreased by 48.3% from HK$205.3 million for the year ended 31 December 2016 to HK$106.1 million for the year ended 31 December 2017, which was mainly attributable to the reduction in gain recognised on disposal of equity interest in subsidiaries.

Earnings before Interest, Tax, Depreciation and Amortisation

Earnings before interest, tax, depreciation and amortisation increased from HK$229.8 million for the year ended 31 December 2016 to HK$244.7 million for the year ended 31 December 2017, which was mainly due to the profit contribution from Jilin and Shanxi projects and offset by the reduction in gain recognised on disposal equity interest in subsidiaries. By excluding one off gain on disposal or deemed disposal of subsidiaries, joint venture and associate, EBITDA of the Company increased by 751.8% to HK$146.9 million.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$84.7 million for the year ended 31 December 2016 to HK$113.3 million for the year ended 31 December 2017, which was mainly due to the increase in gain from fair value change of embedded derivatives but offset by the decrease in investment income, and the change from net exchange gain to net exchange loss.

Gain recognised on disposal of subsidiaries and joint venture

Gain recognised on disposal of subsidiaries and joint venture of HK$97.5 million comprised of the following:

(i) Disposal of 75% equity interests in Printing Group, a discontinued operation, at a cash consideration of HK$178,000,000 (the "Printing Group Disposal"), resulting in a gain of disposal of subsidiaries of HK$72.9 million;

(ii) Disposal of 100% equity interests in Fan Dream, at a cash consideration of HK$30,000,000 (the "Fan Dream Disposal") to an independent third party, resulting in gain on disposal of subsidiaries of HK$14.6 million; and

(iii) Disposal of 59.38% equity interests in My Palace, at a cash consideration of HK$86,811,000 (the "My Palace Disposal") to an independent third party, resulting in gain on disposal of joint venture of HK$10.0 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 46.3% from HK$123.1 million for the year ended 31 December 2016 to HK$180.1 million for the year ended 31 December 2017. It was mainly due to the increase in (i) employee benefit expenses by HK$26.5 million; (ii) depreciation by HK$8.1 million; (iii) commission by HK$3.2 million; (iv) travelling expenses by HK$2.6 million; (v) consultancy fee by HK$1.8 million; and other expenses.

(b) Other expenses

Other expenses increased by 30.8% from HK$13.0 million for the year ended 31 December 2016 to HK$17.0 million for year ended 31 December 2017 which was mainly due to the increase in legal and professional fees by HK$4.4 million.

(c) Finance costs

Finance costs increased from HK$95.7 million for the year ended 31 December 2016 to HK$165.7 million for the year ended 31 December 2017 which was mainly due to the increase in (i) interest on convertible bonds of HK$53.8 million; (ii) interest on obligations under finance leases of HK$7.4 million; and (iii) interest on other borrowings of HK$9.5 million. However, actual cash interest expense was only HK$63.3 million.

(d) Income tax expense

Income tax expense was calculated at 25% and 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the year ended 31 December 2017 and 2016 respectively.

Income tax expense of HK$5.8 million for the year ended 31 December 2017 represented the current tax expense arising from the PRC subsidiaries of HK$17.1 million and the deferred tax credit of HK$11.3 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Loss/profit attributable to the owners of the Company from continuing operations

The Group's loss for the year attributable to the owners of the Company from continuing operations was arrived at HK$82.8 million for the year ended 31 December 2017, representing a decrease by HK$195.8 million from the year ended 31 December 2016.

USE OF PROCEEDS

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. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK$167.6 million, which was used for mergers and acquisitions of natural gas 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. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK$123.3 million, of which (i) HK$74.6 million was used for mergers and acquisitions of natural gas projects, and (ii) HK$48.7 million was used for general working capital.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, amount due to non-controlling interests of subsidiaries, obligation under finance leases, convertible bonds, and bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK$127.7 million as at 31 December 2017 (31 December 2016: HK$91.4 million), an increase of 39.7% from 31 December 2016.

The Group had total borrowings of HK$1,717.6 million as at 31 December 2017 (2016: HK$675.4 million). The Group's gearing ratio, which is total borrowings divided by the total assets was 28.9% (2016: 15.7%).

The Group's non-current assets increased to HK$4,784.0 million, primarily due to the increase in (i) intangible assets of HK$757.2 million; (ii) property, plant and equipment of HK$487.4 million; and (iii) goodwill of HK$355.9 million.

As at 31 December 2017, the Group's current assets of HK$1,155.6 million (31 December 2016: HK$635.0 million), mainly comprised of trade and other receivables of HK$703.3 million (31 December 2016: HK$312.6 million); financial assets at fair value through profit or loss of HK$220.9 million (31 December 2016: HK$125.5 million), cash and bank balances of HK$127.7 million (31 December 2016: HK$91.4 million), promissory notes receivables of HK$23.0 million (31 December 2016: HK$10.0 million), inventories of HK$22.4 million (31 December 2016: HK$8.6 million), amounts due from associates of HK$18.9 million (31 December 2016: Nil), amounts due from joint ventures of HK$15.5 million (31 December 2016: HK$66.0 million), amounts due from customers for contract works of HK$6.8 million (31 December 2016: Nil), and amounts due from non-controlling shareholders of subsidiaries of HK$12.4 million (31 December 2016: HK$18.6 million).

As at 31 December 2017, the Group's current liabilities of HK$1,123.6 million (31 December 2016: HK$321.4 million), mainly comprised of trade and other payables of HK$462.1 million (31 December 2016: HK$140.6 million), bank and other borrowings of HK$253.9 million (31 December 2016: Nil), convertible bonds of HK$129.2 million (31 December 2016: HK$108.7 million), obligation under finance leases of HK$83.2 million (31 December 2016: HK$2.1 million), embedded derivatives at fair value through profit or loss of HK$23.2 million (31 December 2016: HK$60.9 million), amounts due to joint ventures of HK$15.3 million (31 December 2016: HK$9.0 million) and amounts due to customers for contract works of HK$1.0 million (31 December 2016: Nil).

As at 31 December 2017, the net current assets of the Group amounted to HK$32.0 million (31 December 2016: net current assets of HK$313.7 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.03 as at 31 December 2017 (31 December 2016: 1.98).

During the year ended 31 December 2017, the Group did not enter into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

During the year ended 31 December 2017 and up to the date of this announcement, the Company has entered into separate agreements with the following independent third parties in respect of the issue of the corporate bonds by the Company:

Subscribers	**Issue Date**	**Principal Amount** *(HK$'000)*
4 years corporate bonds:		
Tong Xin（童欣）	13 July 2017	10,000
Lin Ling（林淩）	6 September 2017	5,000
1 to 3 years corporate bonds:		
Sun Yifu（孫藝夫）	15 September 2017	20,000
	28 September 2017	20,000
	8 November 2017	10,000
Qi Longjiang（齊龍江）	1 February 2018	10,000
Fang Xiangzai（方香崽）	6 February 2018	12,500
Qu Shengjun（曲聖軍）	2 March 2018	5,000

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2017, there were 934 (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, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 consolidated financial statements of the Company for the year ended 31 December 2017.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

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 set out in the CG Code throughout the year ended 31 December 2017 except for the following deviations:

Code provision A.6.7

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhi Xiaoye and Mr. Pang Siu Yin did not attend general meetings held in the Year due to their other business commitments.

Code provision E.1.2

Pursuant to 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 their 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 Model Code throughout the year ended 31 December 2017.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL RESULTS

This results announcement is published on the websites of SEHK (www.hkexnews.hk) and the Company (www.bgbluesky.com). A notice convening the annual general meeting of the Company will be despatched to the shareholders of the Company together with the 2017 Annual Report 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, 28 March 2018

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. 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.