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 2018

FINANCIAL HIGHLIGHTS:

- Revenue increased by 48.1% to HK$2,148.5 million.
- Total gas sales and throughput volume increased by 898.4% to 5,125.0 million cubic meters, which was mainly attributable to the completion of the acquisition of 29% equity interests of Caofeidian Jingtang LNG Receiving Terminal by the Group on 6 June 2018 and the participation in CNOOC's import LNG one-stop terminal with its partners for the first time.
- Gross profit increased by 18.4% to HK$198.4 million.
- Profit for the year attributable to owners of the Company increased by HK$273.2 million to HK$260.7 million.
- EBITDA increased by 162.6% to HK$642.6 million. Excluding gains on (i) disposal of subsidiaries (ii) disposal of a joint venture (iii) deemed partial disposal of an associate and (iv) partial disposal of joint ventures (v) gain arising from acquisition of an associate, EBITDA of the Group increased by 154.6% to HK$374.1 million.
- Total assets increased by HK$2,288.8 million to HK$8,228.3 million; net assets increased by HK$1,703.5 million to HK$5,113.4 million. The closing cash balance was HK$281.6 million, representing a year-on-year increase of 120.5%, and the gearing level was 27.7%.
- Earnings per share was HK2.27 cents.

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 2018 together with comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Continuing operations			
Revenue	*5*	**2,148,480**	1,451,140
Cost of sales		**(1,950,108)**	(1,283,566)
Gross profit		**198,372**	167,574
Other gains and losses	*7*	**64,125**	100,687
Other income	*8*	**36,258**	13,411
Impairment losses on financial assets	*10*	**(21,325)**	(763)
Administrative expenses		**(284,814)**	(180,071)
Other expenses		**(10,713)**	(16,993)
Finance costs	*9*	**(241,764)**	(165,652)
Share of profit/(loss) of associates		**251,485**	(4,833)
Share of (loss)/profit of joint ventures		**(923)**	1,883
Gain on deemed partial disposal of an associate		**1,588**	239
Gain on partial disposal of joint ventures		**2,625**	–
Gain on disposal of subsidiaries		**66,323**	14,627
Gain arising from acquisition of an associate	*13*	**197,951**	–
Gain on disposal of a joint venture		**–**	10,049
Profit/(Loss) before income tax	*11*	**259,188**	(59,842)
Income tax credit/(expense)	*12*	**2,328**	(5,791)
Profit/(Loss) for the year from continuing operations		**261,516**	(65,633)
Discontinued operation			
Profit for the year from discontinued operation		**–**	69,448
Profit for the year		**261,516**	3,815
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Exchange (loss)/gain arising on translation to presentation currency		**(233,397)**	21,657
Fair value gain on financial asset at fair value through other comprehensive income		**48,746**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of foreign operations		**(3,771)**	13,673
		(188,422)	35,330
Total comprehensive income for the year		**73,094**	39,145

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Profit/(Loss) for the year attributable to owners of the Company			
Continuing operations		**260,657**	(82,791)
Discontinued operation		**–**	70,302
		260,657	(12,489)
Non-controlling interests		**859**	16,304
		261,516	3,815
Total comprehensive income for the year attributable to:			
Owners of the Company		**75,120**	18,962
Non-controlling interests		**(2,026)**	20,183
		73,094	39,145
Earnings/(Loss) per share	*15*		
From continuing and discontinued operations			
– Basic		**HK2.27 cents**	HK(0.13) cents
– Diluted		**HK2.09 cents**	HK(0.32) cents
From continuing operations			
– Basic		**HK2.27 cents**	HK(0.84) cents
– Diluted		**HK2.09 cents**	HK(1.00) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Prepaid lease payments		**41,579**	51,681
Property, plant and equipment		**620,667**	727,905
Intangible assets		**1,234,621**	1,306,494
Goodwill	*16*	**1,139,731**	1,212,765
Interests in associates		**1,821,615**	210,320
Interests in joint ventures		**355,445**	374,866
Deposits for acquisition of subsidiaries		**803,080**	651,477
Deposits for acquisitions of property, plant and equipment		**82,369**	86,477
Prepayment		**15,115**	19,472
Promissory note receivable		**–**	7,410
Financial assets at fair value through other comprehensive income		**224,366**	–
Available-for-sale investments		**–**	134,828
Other non-current assets		**300**	300
		6,338,888	4,783,995
Current assets			
Prepaid lease payments		**5,408**	4,674
Inventories		**56,982**	22,369
Contract assets		**93,038**	–
Amounts due from customers for contract works		**–**	6,776
Trade and other receivables	*17*	**1,154,856**	703,296
Amounts due from non-controlling shareholders of subsidiaries		**–**	12,447
Amounts due from joint ventures		**37,589**	15,539
Amounts due from associates		**30,736**	18,865
Promissory note receivable		**8,311**	22,968
Financial assets at fair value through profit or loss		**220,918**	220,909
Cash and bank balances		**281,604**	127,725
		1,889,442	1,155,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Current liabilities			
Trade and other payables	18	**254,044**	462,053
Amounts due to customers for contract works		**–**	1,006
Contract liabilities		**269,733**	–
Amounts due to non-controlling shareholders of subsidiaries		**–**	155,703
Bank and other borrowings	19	**925,182**	253,902
Obligation under finance leases		**2,568**	83,214
Convertible bonds		**331,916**	129,160
Embedded derivatives at fair value through profit or loss		**6,003**	23,239
Amounts due to joint ventures		**–**	15,280
		1,789,446	1,123,557
Net current assets		**99,996**	32,011
Total assets less current liabilities		**6,438,884**	4,816,006
Capital and reserves			
Share capital	20	**714,236**	541,362
Reserves		**4,314,506**	2,758,023
Equity attributable to owners of the Company		**5,028,742**	3,299,385
Non-controlling interests		**84,654**	110,523
Total equity		**5,113,396**	3,409,908
Non-current liabilities			
Amounts due to joint ventures		**72,145**	–
Obligations under finance leases		**63,659**	83,638
Bank and other borrowings	19	**555,578**	478,750
Convertible bonds		**326,325**	517,961
Deferred tax liabilities		**307,781**	325,749
		1,325,488	1,406,098
		6,438,884	4,816,006

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 voluntarily delisted on Singapore Exchange Securities Trading Limited 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Standards")

New and Amendments to IFRS Standards that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

New and amendments to IFRS Standards in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC-23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRS Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$22,811,000 which will be disclosed in annual report. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$6,246,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

Amendments to IFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

The directors of the Company expect that, such changes would increase the assets and liabilities of the Group, but would not result in significant impact to the Group's financial performance over the lease terms.

The Directors anticipate that the application of the other new and amendments to IFRS Standards and interpretations will have no material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. REVENUE

An analysis of the Group's revenue for the year for continuing operations is as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Natural gas refueling station	**173,005**	74,783
Trading and distribution of natural gas	**917,130**	876,836
City Gas, value-added service and others	**848,487**	363,877
Pipeline construction fee	**209,858**	135,644
	2,148,480	1,451,140

6. 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 sale channel and nature of the goods being sold or service rendered. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

1. Natural gas refueling station – operation of CNG and LNG refueling stations for vehicles

2. Trading and distribution of natural gas – distributing and trading CNG and LNG fuel oil and other related oil by-products as a wholesaler to industrial and commercial users through direct supply facilities

3. City Gas, pipeline construction fee, value-added service and others – sale of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service, such as repair and maintenance service pipeline construction fee and others, such as sale of electricity, transportation income, rental income. As detailed in note 13, the Group acquired an associate during the year ended 31 December 2018 which is engaged in provision of port facilities for vessels and re-gasification of LNG, the result of which was included in this report.

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 2018

	Natural gas refueling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *HK$'000*	Consolidated *HK$'000*
External segment revenue	173,005	917,130	1,058,345	2,148,480
Inter-segment sales	–	211,624	72,423	284,047
	173,005	1,128,754	1,130,768	2,432,527
Segment profit	9,065	50,736	503,809	563,610
Other income and other gains and losses				100,383
Central corporate expenses				(163,041)
Finance costs				(241,764)
Profit before income tax				259,188

Segment profit for the year ended 31 December 2018 consists of gain arising from acquisition of an associate of HK$197,951,000 as detailed in note 13, gain on disposal of subsidiaries of HK$66,323,000, gain on deemed partial disposal of an associate of HK$1,588,000 and gain on partial disposal of joint ventures of HK$2,625,000. Details in respect of gain on disposal of subsidiaries are as follows:

(i) Disposal of 60% equity interests in Focus On Group Limited and a wholly owned subsidiary of Shandong Power Energy Company Limited, at a cash consideration of HK$55,000,000 (the "Shandong Disposal") to an independent third party. The Shandong Disposal results in gain on disposal of subsidiaries of HK$8,948,000.

(ii) Disposal of 100% equity interests in Faster Success Global Limited at a cash consideration of HK$50,000,000 (the "Chiping Disposal") to an independent third party. The Chiping Disposal results in gain on disposal of a subsidiary of HK$36,039,000.

(iii) Disposal of 60% equity interests in Waypost Limited, a partially owned subsidiary, at a cash consideration of HK$22,000,000 (the "Waypost Disposal") to an independent third party. The Waypost Disposal results in gain on disposal of a subsidiary of HK$21,336,000.

For the year ended 31 December 2017

Continuing operations

	Natural gas refueling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *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$14,627,000 and a gain on disposal of a joint venture of HK$10,049,000:

(i) 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$14,627,000.

(ii) Disposal of 59.38% equity interests in My Palace Trading Limited, 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$10,049,000.

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, and income tax credit/(expense). 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

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Natural gas refueling stations	**914,113**	1,051,264
Trading and distribution of natural gas	**174,324**	174,984
City Gas, pipeline construction fee, value-added service and others	**6,031,138**	3,991,143
Total segment assets	**7,119,575**	5,217,391
Prepayment	**15,115**	19,472
Financial assets at fair value through other comprehensive income ("FVTOCI")	**224,366**	–
Available-for-sale investments	**–**	134,828
Cash and bank balances	**281,604**	127,725
Property, plant and equipment for corporate use	**4,018**	2,469
Promissory notes receivables	**8,311**	30,378
Financial assets at fair value through profit or loss ("FVTPL")	**220,918**	220,909
Other unallocated assets	**354,423**	186,391
Consolidated assets	**8,228,330**	5,939,563

Segment liabilities

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Natural gas refueling stations	**46,003**	53,283
Trading and distribution of natural gas	**32,131**	33,190
City Gas, pipeline construction fee, value-added service and others	**869,504**	995,860
Total segment liabilities	**947,638**	1,082,333
Convertible bonds	**658,240**	647,121
Bank and other borrowings	**1,480,760**	732,652
Embedded derivatives at FVTPL	**6,003**	23,239
Certain obligation under finance leases	**386**	881
Other unallocated liabilities	**21,906**	43,429
Consolidated liabilities	**3,114,933**	2,529,655

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

- all assets are allocated to operating and reportable segments (other than financial assets at FVTPL, promissory notes receivables, prepayment, financial assets at FVTOCI, available-for-sale investments, cash and bank balances and property, plant and equipment for corporate use and other assets not attributable to segment); and

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, convertible bonds, embedded derivatives at FVTPL and certain obligation under finance leases and other liabilities not attributable to segment).

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

Geographical information

The Group's operations are located in the People's Republic of China (the "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	
	2018	2017
	HK$'000	*HK$'000*
The PRC	**2,148,480**	1,451,140

The Group's non-current assets (excluding financial instruments) are mainly located in the PRC.

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:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**–**	289,422

Notes:

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

No individual customers contributed over 10% of the Group's revenue during the year ended 31 December 2018.

7. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Government grants	**12,678**	2,387
Net exchange gain/(loss)	**54,895**	(22,937)
Change in fair value of embedded derivatives at FVTPL	**53,438**	94,798
Change in fair value of financial assets designated as at FVTPL	**–**	39,524
Change in fair value of financial assets mandatorily measured at FVTPL		
– Held for trading	**(11,275)**	(13,085)
– Others	**(45,611)**	–
	64,125	100,687

8. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**28,494**	9,687
Rental income	**205**	95
Gas appliances income	**6,701**	2,054
Sundry income	**858**	1,575
	36,258	13,411

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Finance charges on obligations under finance leases	**7,301**	8,145
Interest on bank borrowings	**6,458**	1,391
Interest on other borrowings	**52,565**	24,730
Interest on convertible bonds	**175,440**	131,386
	241,764	165,652

10. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Impairment losses recognised on:		
– Trade receivables	**21,325**	763

11. PROFIT/(LOSS) BEFORE INCOME TAX

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Profit/(loss) before income tax is arrived at after charging:		
Auditor's remuneration	**3,000**	3,000
Amortisation of intangible assets	**71,873**	44,292
Cost of inventories recognised as expense	**1,715,137**	1,165,635
Depreciation of property, plant and equipment[#]	**64,084**	21,247
Employee benefit expenses (including directors' emoluments)		
– Salaries and allowances	**96,656**	68,804
– Contribution to defined contribution plans	**18,541**	12,961
– Share-based payment (included in administrative expenses)	**1,555**	6,727
	116,752	88,492
Amortisation of prepaid lease payments	**5,674**	1,507
Operating lease charges on premises	**10,805**	9,189
Legal and professional fees (included in other expenses)	**9,547**	16,330

[#] Depreciation of property, plant and equipment disclosed above included depreciation on leased assets of HK$3,113,000 (2017: HK$11,032,000).

12. INCOME TAX CREDIT/(EXPENSE)

	2018 *HK$'000*	2017 *HK$'000*
Continuing operations		
Current tax – the PRC Enterprise Income Tax ("EIT")	**(15,640)**	(17,146)
Deferred tax	**17,968**	11,355
Total income tax credit/(expense)	**2,328**	(5,791)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. 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.

13. GAIN ARISING FROM ACQUISITION OF AN ASSOCIATE

On 28 December 2017, the Company entered into a sale and purchase agreement with Beijing Gas Company Limited ("Beijing Gas HK") and Beijing Gas Group Company Limited, pursuant to which the Company has conditionally agreed to acquire and Beijing Gas HK has conditionally agreed to sell all of the issued share capital of Beijing Gas Jingtang Company Ltd which indirectly owns 29% equity interests in PetroChina Jingtang LNG Co., Ltd. (the "Jingtang Acquisition"). In accordance with the terms and conditions thereof, the consideration for the Jingtang Acquisition was satisfied by issuance of 2,407,708,800 new ordinary shares at issue price of HK$0.50 per share to Beijing Gas HK or its designated wholly-owned subsidiary on the completion date. The Jingtang Acquisition was duly passed at the special general meeting of the Company on 16 May 2018 and completed on 6 June 2018 (the "Completion Date").

On the Completion Date, the fair value of the 2,407,708,800 new ordinary shares issued was approximately HK$1,324,240,000 by reference to the quoted price of HK$0.55 per share and the fair value of 29% equity interests in PetroChina Jingtang was approximately HK$1,522,191,000 by reference to the valuation report issued by an independent professional valuer. Therefore, the Group recognised a gain of approximately HK$197,151,000 in respect of the acquisition of 29% interests in PetroChina Jingtang, representing the excess between the fair values of 29% equity interests in PetroChina Jingtang in its entirety and the share consideration on Completion Date. Such amount is recognised in the consolidated statement of profit or loss and other comprehensive income for the year and is analysed as follows:

	HK$'000
Cost of share consideration paid	1,203,855
Add: loss arising from change in share price on Completion Date	120,385
Fair value of share consideration	1,324,240
Fair value of interest in PetroChina Jingtang	(1,522,191)
Gain arising from acquisition of an associate	(197,951)

14. DIVIDEND

The Board did not recommend payment of dividend for both years ended 31 December 2017 and 2018.

15. 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:

	2018	2017
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**260,657**	(12,489)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**16,994**	59,229
Change in fair value of embedded derivatives at FVTPL	**(34,465)**	(79,816)
Profit/(loss) for the purpose of diluted earnings/(loss) per share	**243,186**	(33,076)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**11,465,470,587**	9,816,522,234
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**26,967,116**	N/A
Convertible bonds issued by the Company	**163,518,385**	496,422,000
	190,485,501	496,422,000
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**11,655,956,088**	10,312,944,234

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

From continuing operations

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

	2018	2017
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) for the year attributable to the owners of the Company	**260,657**	(12,489)
Less: Profit for the year from the discontinued operation	**N/A**	(70,302)
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	**260,657**	(82,791)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**16,994**	59,229
Change in fair value of embedded derivatives at FVTPL	**(34,465)**	(79,816)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	**243,186**	(103,378)

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

From discontinued operation

For the year ended 31 December 2017, basic earnings per share from discontinued operation is HK0.72 cent per share and diluted earnings per share from the discontinued operation is HK0.68 cent per share, based on the profit for the year from discontinued operation of HK$70,302,000 and the denominators detailed above for both basic and diluted earnings/(loss) per share.

16. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2017	856,887
Acquisition of subsidiaries	355,878
At 31 December 2017	1,212,765
Disposal of subsidiaries	(73,034)
At 31 December 2018	1,139,731

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 will be disclosed in the annual report.

17. TRADE AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables	**208,003**	254,983
Less: Loss allowance	**(69,514)**	(763)
Trade receivables – net	**138,489**	254,220
Prepayments	**246,787**	255,088
Consideration receivables	**145,797**	86,811
Loan receivables	**530,187**	97,338
Other receivables	**93,596**	9,839
	1,154,856	703,296

The followings is an aged analysis of trade receivables (net of allowance of credit losses) presented based on invoice dates, which approximate the respective revenue recognitions dates.

	2018 *HK$'000*	2017 *HK$'000*
0 – 90 days	**99,596**	212,017
91 – 120 days	**14,984**	888
121 – 180 days	**20,995**	37,345
181 – 365 days	**2,914**	3,970
	138,489	254,220

The balance as at 31 December 2018, included (i) prepayment of purchase of natural gas and related products of HK$196,319,000 (31 December 2017: HK$206,656,000; (ii) two loan receivables of HK$28,284,000 (31 December 2017: HK$26,034,000) and HK$132,906,000 (31 December 2017: HK$54,560,000) respectively. These loan receivables are short term loan advances to independent third parties, which are unsecured and interest bearing and repayable within one year; (iii) three bond receivables of HK$13,017,000 (31 December 2017: HK$12,104,000), HK$30,000,000 (31 December 2017: Nil) and HK$30,000,000 (31 December 2017: Nil) respectively. These bond receivables are redeemable within one year to independent third parties, which are unsecured and interest bearing. 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$145,797,000, which arising from the disposal of subsidiaries of Shandong Disposal of HK$55,000,000, the Chiping Disposal of HK$50,000,000 and the Waypost Disposal of HK$22,000,000; and arising from partial disposal of joint ventures of Brightjet Global Limited of HK$2,797,000 and New Phoneix Global Limited of HK$16,000,000 (31 December 2017: consideration receivable of HK$86,811,000 arising from the disposal of 59.38% equity interests in My Palace Trading Limited).

18. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**192,096**	143,262
Accrued charges and other creditors	**44,803**	77,965
Construction cost payables	**17,145**	72,218
Advances received from customers for sales of natural gas	**–**	84,337
Advances received from customers for contract work	**–**	84,271
	254,044	462,053

The Group was granted by its suppliers credit periods ranging from 30 to 90 days (2017: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	2018 HK$'000	2017 HK$'000
0 – 90 days	**161,734**	135,375
91 – 180 days	**13,625**	2,614
181 – 365 days	**11,467**	2,136
Over 365 days	**5,270**	3,137
	192,096	143,262

19. BANK AND OTHER BORROWINGS

	2018 HK$'000	2017 HK$'000
Unsecured bank borrowings	**229,760**	106,024
Unsecured corporate bonds *(note a)*	**1,210,000**	539,500
Unsecured other borrowing *(note b)*	**41,000**	87,128
	1,480,760	732,652
Carrying amount repayable*:		
Within one year**	**925,182**	253,902
More than one year, but not exceeding two years	**355,578**	202,738
More than two years, but not exceeding five years	**195,000**	225,012
More than five years	**5,000**	51,000
	1,480,760	732,652
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**925,182**	253,902
Amounts shown under non-current liabilities	**555,578**	478,750

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

** The amounts also contain a repayable on demand clause.

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

	2018	2017
Effective interest rate:		
Fixed-rate bank borrowings	**6.33%**	7%
Variable-rate bank borrowings	**2.39% – 4.29%**	3.0% – 3.58%

As at 31 December 2018, HK$170,000,000 (2017: HK$70,000,000) out of the total unsecured bank borrowing balances of approximately HK$229,760,000 (2017: HK$106,024,000) are denominated in HK$.

Notes:

(a) The unsecured corporate bonds issued by the Company during the year ended 31 December 2018 amounted to HK$895,000,000 (2017: HK$246,500,000). The unsecured bonds have maturity of one to eight years (2017: one to eight years) until 2024 (2017: 2024) and carry interest at 2% to 8% (2017: 2% to 8%) per annum. Transaction costs of approximately HK$45,825,000 (2017: HK$7,359,000) have been incurred and the corporate bonds carry effective interest at 5.70% (2017: 6.77%) per annum.

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

20. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Ordinary shares of HK$0.055 each		
Authorised share capital		
At 1 January 2017, 31 December 2017 and 2018	91,000,000,000	5,005,000
Issued and fully paid share capital		
At 1 January 2017	9,634,825,844	529,915
Issue of shares upon conversion of convertible notes and convertible bonds *(note i)*	163,750,000	9,006
Issue of shares upon exercise of share options *(note ii)*	44,369,850	2,441
At 31 December 2017	9,842,945,694	541,362
Issue of shares upon conversion of convertible bonds *(note iii)*	598,472,221	32,916
Issue of shares upon exercise of share options *(note iv)*	36,988,000	2,034
Issue of shares through placing *(note v)*	100,000,000	5,500
Issue of shares for acquisition of an associate *(note vi)*	2,407,708,800	132,424
At 31 December 2018	12,986,114,715	714,236

Notes:

(i) 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.

(ii) 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.

(iii) During the year ended 31 December 2018, a total of 598,472,221 new ordinary shares of HK$0.055 each were issued upon the conversion of the convertible bonds of the Company.

(iv) During the year ended 31 December 2018, a total of 36,988,000 new ordinary shares of HK$0.055 each were issued upon exercises of the share options of the Company.

(v) On 20 August 2018, the Company issued, by way of placing, 100,000,000 new ordinary shares of HK$0.055 each at the issue price of HK$0.57 and the proceeds from such issues amounted to HK$57,000,000. An amount of HK$51,500,000 in excess of par value were credited to share premium.

(vi) On 6 June 2018, the Company issued 2,407,708,800 new ordinary shares of HK$0.055 each at the issue price of HK$0.55 per share, as consideration for the acquisition of as associate. An amount of HK$1,191,816,000 in excess of par value were credited to share premium.

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

21. COMMITMENTS

Capital commitments

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

	2018	2017
	HK$'000	*HK$'000*
Contracted for but not provided:		
– property, plant and equipment	**26,565**	24,857
– acquisition of a subsidiary/a subsidiary and an associate	**152,000**	1,355,854
	178,565	1,380,711

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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**6,268**	3,261
In the second to fifth year inclusive	**12,154**	2,876
More than five years	**4,389**	2,864
	22,811	9,001

The Group leases its office premises under 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:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**–**	347
In the second to fifth year inclusive	**–**	–
	–	347

The Group leases its equipments under operating leases for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL OVERVIEW

In 2018, the apparent consumption of natural gas in China reached 280.3 billion cubic meters, an increase of about 18.1% over the same period in 2017. In order to improve the domestic natural gas supply shortage, imported pipeline gas and imported liquefied natural gas (LNG) have become important supply source and there is significant increment. In 2018, China imported 125 billion cubic meters of natural gas, an increase of 35.5% over the same period in 2017. Among them, 51.4 billion cubic meters of pipeline gas was imported, a year-on-year increase of 25.7%. LNG became the most important supply growth point and continued to maintain a high growth rate with the annual import volume reaching 73.6 billion cubic meters in 2018, a year-on-year increase of 43.2%. In 2018, rapid development was noted in China's natural gas industry, and many landmark events made major breakthroughs, demonstrating the growth vitality of the natural gas industry, such as the first documents issued by the State Council to promote the development of the natural gas industry, the arrival of the first international LNG ship of "Polar Silk Road", China becoming the world's number one importer of natural gas for the first time and the first window period for product transaction. With China's emphasis on the coordinated and stable development of natural gas, the construction of production, supply, storage and marketing channels and the implementation of interconnection projects, the national natural gas supply in 2018 was significantly better than last year. The marketization reform of the natural gas industry was also underway, and certain events including the uniform prices for residential and non-resident stations, CNOOC's receiving terminal receiving its first window period product and the put-into-operation of private LNG terminals indicated that China's natural gas business was further diversified. The Group had also made significant progress in business facing the industry's great development opportunities and became an important player in the development of China's natural gas industry in 2018.

REVIEW OF OPERATIONS

For the year ended 31 December 2018 ("FY2018"), the Group recorded revenue of HK$2,148.5 million (FY2017: HK$1,451.1 million), representing growth of 48.1% as compared to the corresponding period of last year, which was mainly attributable to a diversified income structure of the Group which contribute a growth in revenue generated from city gas business and LNG related business. Gross profit increased from HK$167.6 million for the year ended 31 December 2017 ("FY2017") to HK$198.4 million for FY2018. Earnings before interest, tax, depreciation and amortization ("EBITDA") increased by 162.6% to HK$642.6 million. Excluding one off gain on disposal of subsidiaries, disposal of a joint venture, partial disposal of joint ventures, deemed disposal of a joint venture, partial disposal of an associate and gain arising from acquisition of an associate, EBITDA increased by 154.6% to HK$374.1 million. Profit for the year attributable to owners of the Company increased significantly by approximately HK$273.1 million to HK$260.7 million (FY2017: loss for the year attributable to owners of the Company: HK$12.5 million). The improvement on the overall profitability of the Group was mainly due to its diversified business structure and with contribution to its profit growth from different business segments. Specifically, the scale of the city gas business has been expanding rapidly. Benefiting from the "coal to gas" policy, the Group's rural coal-to-gas project in Shanxi has achieved good profit, and the commencement of gas supply for the new projects secured in the Northeast, East and South China, the business scale and gross profit of the Group's direct supply business also increased significantly. The trading and distribution business, notwithstanding its slightly shrunken scale, achieved an improvement in income and profitability as the Group focused the quality of its business and the concerted development of the whole LNG industrial chain; benefiting from the national environmental protection policy, the demand for gas from the Group's Shanxi and Hainan projects increased significantly, which in turn expanded the business scale and drove up the profit. In FY2018, the Group's total gas sales and throughput volume increased by 898.4% year on year to approximately 5,125.0 million cubic meters (FY2017: 513.3 million cubic meters).

The Group's major natural gas projects:

	Project Location	LNG/CNG refueling station As of December			City gas As of December		Direct supply As of December		Trading and distribution As of December		Subtotal As of December		LNG throughout As of December		As of December		Subtotal As of December		Total As of December	
		No.of station	Sales volume (m3)	Sales volume (%)	Sales volume (m3)	Sales volume (%)	Sales volume (m3)	Sales volume (%)	Sales volume (m3)	Sales volume (%)	Subtotaled sales volume (m3)	Subtotaled sales volume (%)	Gasification volume (m3)	Gasification volume (%)	Unloading volume (m3)	Unloading volume (%)	Subtotaled throughout (m3)	Subtotaled throughout (%)	Total volume (m3)	Total volume (%)
	Liaoning Province	1	324,954	0.4%	2,229,901	1.6%	7,010,926	7.9%	–	0.0%	9,565,781	1.5%	–	0.0%	–	0.0%	–	0.0%	9,565,781	0.2%
	Shandong Province	1	783,076	0.9%	–	0.0%	15,875,293	17.8%	9,034,024	2.9%	25,692,393	4.1%	–	0.0%	–	0.0%	–	0.0%	25,692,393	0.5%
	Guizhou Province	2	3,463,747	4.0%	–	0.0%	3,590,102	4.0%	–	0.0%	7,053,849	1.1%	–	0.0%	–	0.0%	–	0.0%	7,053,849	0.1%
	Anhui Province	–	–	0.0%	–	0.0%	1,703,823	1.9%	72,861,064	23.3%	74,564,887	11.9%	–	0.0%	–	0.0%	–	0.0%	74,564,887	1.5%
	Hainan Province	5	15,950,503	18.3%	–	0.0%	3,508,410	4.0%	13,625,349	4.4%	33,084,262	5.3%	–	0.0%	–	0.0%	–	0.0%	33,084,262	0.6%
	Beijing City	–	–	0.0%	–	0.0%	–	0.0%	30,663,409	9.8%	30,663,409	4.9%	–	0.0%	–	0.0%	–	0.0%	30,663,409	0.6%
Subsidiaries	Zhejiang Province	–	–	0.0%	–	0.0%	47,492,370	53.3%	87,943,730	28.2%	135,436,100	21.6%	–	0.0%	–	0.0%	–	0.0%	135,436,100	2.6%
	Shaanxi Province	–	–	0.0%	–	0.0%	–	0.0%	20,963,662	6.7%	20,963,662	3.3%	–	0.0%	–	0.0%	–	0.0%	20,963,662	0.4%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	28,475,160	9.1%	28,475,160	4.5%	–	0.0%	–	0.0%	–	0.0%	28,475,160	0.6%
	Jilin Province	2	2,824,877	3.2%	35,269,428	25.5%	9,986,200	11.2%	–	0.0%	48,080,505	7.7%	–	0.0%	–	0.0%	–	0.0%	48,080,505	0.9%
	Shanxi Province	7	12,102,073	13.9%	95,550,207	69.2%	–	0.0%	–	0.0%	107,652,280	17.2%	–	0.0%	–	0.0%	–	0.0%	107,652,280	2.1%
	Guangxi Province	–	–	0.0%	–	0.0%	–	0.0%	8,690,682	2.8%	8,690,682	1.4%	–	0.0%	–	0.0%	–	0.0%	8,690,682	0.2%
	Ningxia Autonomous Region	–	–	0.0%	–	0.0%	–	0.0%	3,427,704	1.1%	3,427,704	0.6%	–	0.0%	–	0.0%	–	0.0%	3,427,704	0.1%
	Subtotal	18	35,449,230	40.7%	133,049,536	96.3%	89,167,124	100%	275,684,784	88.3%	533,350,674	85.1%	–	0.0%	–	0.0%	–	0.0%	533,350,674	10.4%
	Hainan Province	11	46,758,205	53.7%	–	0.0%	–	0.0%	–	0.0%	46,758,205	7.5%	–	0.0%	–	0.0%	–	0.0%	46,758,205	0.9%
Associates	Anhui Province	5	4,786,317	5.5%	–	0.0%	–	0.0%	36,040,634	11.6%	40,826,951	6.5%	–	0.0%	–	0.0%	–	0.0%	40,826,951	0.8%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	4,097,740,617	100.0%	400,812,990	100.0%	4,498,553,607	100.0%	4,498,553,607	87.8%
	Subtotal	16	51,544,522	59.3%	–	0.0%	–	0.0%	36,040,634	11.6%	87,585,156	14.0%	4,097,740,617	100.0%	400,812,990	100.0%	4,498,553,607	100.0%	4,586,138,763	89.5%
Joint Venture	Hubei Province	–	–	0.0%	5,141,705	3.7%	–	0.0%	323,064	0.1%	5,464,769	0.9%	–	0.0%	–	0.0%	–	0.0%	5,464,769	0.1%
	Subtotal	–	–	0.0%	5,141,705	3.7%	–	0.0%	323,064	0.1%	5,464,769	0.9%	–	0.0%	–	0.0%	–	0.0%	5,464,769	0.1%
	Grand Total	34	86,993,752	100%	138,191,241	100%	89,167,124	100%	312,048,482	100%	626,400,599	100%	4,097,740,617	100%	400,812,990	100%	4,498,553,607	100%	5,124,954,206	100%

In FY2018, the gas sales volume from subsidiaries amounted to 533.4 million cubic meters (FY2017: 433.3 million cubic meters). In addition, the gas sales and throughput volume from the associates of the Group amounted to 4,586.1 million cubic meters (FY2017: 78.1 million cubic meters), the significant increase was attributable to the completion of the Jintang Acquistion on 6 June 2018.

As at 31 December 2018, the Group's natural gas projects covered 14 provinces and autonomous regions in the PRC, namely Liaoning, Jilin, Hubei, Hebei, Shandong, Anhui, Zhejiang, Shaanxi, Guizhou, Hainan, Guangxi, Ningxia Autonomous Region, Shanxi and Beijing City.

CITY GAS BUSINESS

As of FY2018, the Group had 5 city gas projects in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group completed pipeline construction of piped gas for 59,870 users, and the accumulated number of users reached 432,401 users, of which 59,571 were new residential households users. The volume of natural gas sold by the Group to residential household users amounted to 53.8 million cubic meters (FY2017: 18.9 million cubic meters). The Group secured 299 new industrial and commercial users, and the accumulated industrial and commercial reached 2,236, and the natural gas sold to the industrial and commercial users reached 84.4 million cubic meters (FY2017: 24.4 million cubic meters), with connection fee income of HK$209.9 million (FY2017: HK$135.6 million), representing growth of 54.7% as compared to the corresponding period of last year. During the period, the number of rural "coal to gas" users of the Group's Shanxi project amounted to approximately 7,000. Taking advantage of the "2+26" cities under the national air pollution prevention program, the Group vigorously promoted the implementation of the coal-to-gas project in Shanxi, and through effective management, its rural coal-to-gas program has produced satisfactory results, with its scale securing a leading position in Shanxi province.

The Group actively responded to national policies. In order to win the blue sky defense battle and improve the quality of the atmospheric environment, the Group deepened the existing project regional market and vigorously promoted the coal-to-gas process in the plain areas. What's more, by developing high-quality industrial and commercial users to adjust the gas consumption structure of the Northeast market, we continued to improve the market system with the goal of "market integration" and made important contributions to the Group's overall gas volume and revenue. In FY2018, 12 ministries including the Ministry of Ecology and Environment and six provinces and cities such as Beijing jointly issued the "Action Plan for the Comprehensive Management of Air Pollution in the Autumn and Winter of 2018-2019 in Beijing-Tianjin-Hebei and Surrounding Areas", which clearly pointed out that the scattered coal shall be basically replaced in the plain areas of "2+26" cities. At the same time, according to the guidelines of the National 13th Five-Year Plan, by 2020, the proportion of natural gas consumption to primary energy will increase from 6% in 2016 to 10%, and the population using natural gas will increase from 330 million in 2015 to 470 million. In the future, the Group will continue to commit itself to promoting the "coal to gas" work to improve the overall natural gas penetration rate and hence contribute positively to the Group's overall profit. In addition, the Group has entered into a strategic cooperation agreement with Guizhou Branch of PetroChina KunLun Gas Co., Ltd.（中石油昆侖燃氣有限公司貴州分公司）("KunLun Guizhou") during the year, and both parties would also strengthen strategic cooperation in the city gas segment in the region.

Direct Supply Business

During the year, the Group sold 89.2 million cubic meters of natural gas (FY2017: 55.4 million cubic meters) to industrial and commercial users through the provision of the direct supply service, representing growth of 61.0% as compared to the corresponding period of last year, covering Jilin Province, Liaoning Province, Hubei Province, Shandong Province, Anhui Province, Hainan Province, Guizhou Province and Zhejiang Province, etc. The Group relied on the high-quality gas sources obtained in the North China, East China and South China coastal areas and the inland LNG factories to provide industrial and commercial users with stable gas sources. During the year, thanks to the rapid growth in the demand of the domestic industrial gas users and the continuous growth of imported LNG, the Group successfully secured a number of new users in the Northeast, East and South China with continuous and stable gas supply. During the period, both the revenue and profit of the business segment recorded an increase.

CNG and LNG Refueling Stations Business

The Group sold natural gas to LNG vehicles (trucks and buses) and CNG vehicles (taxis, buses and private cars). During FY2018, the Group owned 34 gas refueling stations including 19 CNG refueling stations and 15 LNG refueling stations (FY2017: 39 gas refueling stations including 22 CNG refueling stations and 17 LNG refueling stations) mainly covering Hainan Province, Anhui Province, Shandong Province, Guizhou Province, Jilin Province, Shanxi Province and Liaoning Province, with gas sales volume of 87.0 million cubic meters (FY2017: 75.3 million cubic meters) and sales income of HK$173.0 million (FY2017: HK$74.8 million), representing growth of 131.3% as compared to the corresponding period of last year, which was mainly due to the effective implementation of the environmental protection policy on air pollution in Shanxi Province and Hainan Province, increase in demand for transportation gas and expansion in the scale of the Group's refueling stations business, Driven by the PRC government's promotion of clean energy vehicles, relevant policies on promoting application of environmental-friendly vehicles were introduced during the year. Hainan Province issued the "Hainan Province Clean Energy Vehicles Development Plan", which clearly points out that clean alternative fuel vehicles mainly include natural gas vehicles, and plans to realize the overall adoption of clean energy vehicles within the whole island by 2030, with 80% of the vehicles installed with clean energy engines. In addition, Shanxi Province issued the " Action Plan 2018 of Shanxi Provincial on Air Pollution Prevention and Control (《山西省大會污染防治2018年行動計劃》)", requiring further control of the traffic & transportation pollution. The Group will actively expand the gas refueling stations business in this region by grasping opportunities and acting in response to national policies, in order to improve its market share.

Trading and distribution of CNG and LNG Business

As of 31 December 2018, the Group currently owned 29% equity interests in PetroChina Jingtang LNG Co., Ltd., and distributed LNG with gas sources from Sinopec's Dongjiakou receiving terminal in the Bohai Rim and distributed LNG with gas sources from CNOOC's Ningbo receiving terminal in the Eastern China. As the Group focused on the quality of its trading business and actively adjusted its customer base, it recorded slight decrease in sales with total trading volume of 312.0 million cubic meters (FY2017: 339.4 million cubic meters), through distributing LNG and 52 self-owned natural gas transportation vehicles (FY2017: 67 natural gas transportation vehicles). The trading and distribution business recorded a segment trading sales of HK$917.1 million (FY2017: 876.8 million). The Group participated in the bidding in the window period with its business partner last year, and won the joint distribution right of offshore gas in the peak season of demand for LNG and completed the distribution of approximately 12 million cubic meters of LNG, the distribution of the remaining part was completed in January 2019. The layout of the Group's LNG business has become more solid upon building up the upstream gas resources, the stronger midstream logistics deployment capacity as well as the downstream terminal distribution advantages in the whole LNG value chain; in the meantime, the Group has formed a "technology + finance" overall solution for the industrial transfer of key industries such as metal processing, ceramics and glass, which became our powerful tool for market development. Therefore, the entire industrial chain of LNG has been fully developed, so that all links could fully exert synergy effects and promote the rapid growth of sales volume of LNG business.

LNG RECEIVING TERMINAL PROJECTS

Petrochina Jingtang (Caofeidian Jingtang LNG Receiving Terminal)

The completion of the acquisition of PetroChina Jingtang took place on 6 June 2018. The total amount of LNG received in this project reached 4,498.5 million cubic meters after the mergers and acquisition, among which, the gas volume externally delivered to the pipelines through gasification was 4,097.7 million cubic meters while the gas transportation volume of the tank truck was 400.8 million cubic meters. Currently, roof lifting work for two storage tanks of Caofeidian LNG Receiving Terminal expanding project has been commenced. It is expected that the utilization rate of the piers will continue to increase in the future, providing stable gas supply guarantee for natural gas consumption in the entire Beijing-Tianjin-Hebei region and making positive contributions to the blue sky defense battle in the region.

Expansion initiatives

Up to now, the Group's business has covered 14 provinces and autonomous region in China. During FY2018, the Group completed the Jingtang Acquisition.

Financial Resources of the Group

Cash and bank balances of the Group amounted to HK$281.6 million as at 31 December 2018. Given the Group's ample cash position, relatively low gearing level and support of premium institutions and industry investors, the Group is expected to expand its investment in the natural gas industry and grasp the industry development opportunities, so as to generate higher return for its shareholders. As at 31 December 2018, the principal amount of the Group's corporate bonds and convertible bonds were HK$1,210.0 million and HK$730.0 million, respectively. The Group's gearing ratio, which is total borrowings divided by total assets, was at 27.7% as at 31 December 2018. If excluding convertible bonds, the gearing ratio was 19.7% as at 31 December 2018 (18.0% as at 31 December 2017). Cash to total liabilities was 9.0% as at 31 December 2018 (5.0% as at 31 December 2017).

Convertible bonds issuance summary table

Issue date	Investors	Principal amount	Principal amount as at 31 December 2018	Cash interest during Y2018	Imputed interest during Y2018	Conversion price per share	Maturity date
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*	
2015-09-09	Templeton Asset Management Ltd.'s Emerging Markets Group	116,000	–	–	8,884	0.40	2018-09-09
2015-12-11	Haitong International Securities Group Limited	200,000	–	745	14,448	0.48	2018-12-09
2016-01-07	Templeton Asset Management Ltd.'s Emerging Markets Group	15,000	–	–	2,168	0.40	2019-01-07
2016-05-11	Beijing Gas Group Co., Ltd.	350,000	–	3,878	14,297	0.45	2019-05-11
2016-12-29	China Orient Asset Management Co., Ltd.	200,000	200,000	10,389	35,949	0.67	2019-12-29
2017-04-24	Central China International Investment Company Limited	150,000	150,000	5,700	28,180	0.67	2019-12-23
2017-05-04	China Huarong International Holdings Limited	200,000	200,000	9,784	24,024	0.67	2020-04-24
2018-06-26	SK E&S Co., Ltd.	180,000	180,000	1,814	15,180	0.57	2020-06-26
			730,000	32,310	143,130		

FUTURE PROSPECTS

Looking forward to 2019, the natural gas industry will continue to maintain its growth momentum. The 2019 Chinese government work report pointed out that the state should continue to strengthen pollution prevention and control and ecological construction, vigorously promote green development, and consolidate and expand the achievements of the blue sky defense battle. It also continued to carry out the air pollution control of the Beijing-Tianjin-Hebei region and the surrounding areas, Yangtze River Delta and the Yan-Ping Plains and strengthened the management of three major pollution sources of industry, coal-firing and motor vehicles, striving to do well in clean heating in the northern regions and ensure that the people can enjoy a warm winter. The Group expects natural gas consumption to continue to grow steadily. Imported natural gas will continue to be a major source of growth for the supply. The Group will strive to capture relevant opportunities arising from the growth in LNG import and the integration of the pipelines in the PRC.

As for the market, the Group will focus on the layout of projects related to LNG import and new project opportunities with the support of major shareholder. After several years of hard work, the Group has built a large-scale LNG operation and distribution capacity and completed the layout of the entire industrial chain of LNG. On the upstream side, we have stable gas sources for several LNG receiving terminals, hold the equity of the LNG receiving terminal located in Tangshan and successfully participated in the first international trading of LNG. We have built a proprietary trading and logistics network in the key Beijing-Tianjin-Hebei and the East China region for the midstream, while there are stable and large-scale industrial direct supply users in the downstream. In the future, in addition to continuing to consolidate the trading and operating capabilities as well as the size and quality of the end customers in the midstream and downstream, the Group will participate more in the upstream LNG trading and obtain more opportunities to independently import offshore resources under the general trend of the natural gas industry marketization, with a view to enhancing the Group's competitiveness and market share in the LNG industry.

In terms of city gas business, the Group will leverage the unique advantages of the major shareholder Beijing Gas Group to explore project opportunities of major shareholders in the Beijing-Tianjin-Hebei region and the northeast region along the East Pipeline between China and Russia and lay out key new project markets. For the existing city gas projects, the Group will adhere to refined management to improve the profitability of existing projects and achieve steady growth in the income of existing urban gas assets, and also leverage the existing projects' "point-to-face" capability to focus on tapping the market potential of Shanxi and Jilin.

In terms of company management, guided by refined management, the Group will comprehensively carry out "reducing costs and increasing efficiency" under the principle of "large industry with small headquarter" by optimizing organizational structure and personnel and strictly controlling expenses, so as to improve the project execution efficiency and enhance the Group's comprehensive profitability. In terms of finance, the financing channel will be broadened, and with the normal operation of the projects acquired and the support of the major shareholder, the debt ratio and the scale of current loans will be appropriately increased through more cooperation with commercial banks; moreover, we will achieve a reasonable decline in financial expenses by replacing original high-cost debts, so as to improve the Group's profitability.

FINANCIAL REVIEW

Revenue

Revenue increased by 48.1% from HK$1,451.1 million for FY2017 to HK$2,148.5 million for FY2018, mainly attributable to the whole year contribution of Jilin Project and Shanxi Project which were acquired in April 2017 and October 2017 respectively. Jilin Project and Shanxi Project contributed to the revenue of HK$188.9 million (FY2017: HK$130.7 million) and HK$541.9 million (FY2017: HK$150.1 million) respectively.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$198.4 million for FY2018 which increased by HK$30.8 million from HK$167.6 million for FY2017, which was mainly due to increase in gross profit arising from refueling stations and city gas business of Jilin and Shanxi projects.

Segment profit increased by 431.2% from HK$106.1 million for FY2017 to HK$563.6 million for FY2018, which was mainly due to the gain arising from acquisition of an associate of HK$198.0 million and share of profit of associates of HK$251.5 million for FY2018.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation increased from HK$244.7 million for FY2017 to HK$642.6 million for FY2018, which was mainly due to (i) the increase in gross profit, (ii) the gain arising from acquisition of an associate and (iii) share of profit for the associate.

Other Gains and Losses and Other Income

Other gains and losses and other income decreased from HK$114.1 million for FY2017 to HK$100.4 million for the FY2018, which is mainly due to the combine effect of the loss from change in fair value of financial assets designated as at fair value through profit or loss of HK$45.6 million and increase in interest income.

Gain recognised on disposal of subsidiaries

During FY2018, the Group has disposed of certain non-core companies. Gain recognised on disposal of subsidiaries of HK$36.1 million, HK$21.3 million and HK$8.9 million represents the disposal of Chiping project, Waypost Limited and Shandong projects at a cash consideration of HK$50,000,000 (the "**Chiping Disposal**"), HK$22,000,000 (the "**Waypost Disposal**") and HK$55,000,000 (the "**Shandong Disposal**") respectively to independent third parties.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 58.1% from HK$180.1 million for FY2017 to HK$284.8 million for FY2018. It was mainly due to the increase in (i) costs of corporate bonds by HK$38.4 million (ii) employee benefit expenses by HK$29.1 million; (iii) amortisation and depreciation by HK$9.1 million; (iv) consultancy fee by HK$9.8 million; (v) repair and maintenance fee by HK$6.3 million; and other expenses by HK$12.0 million.

The Group has formulated employee-optimisation plan and intended to re-finance part of the corporate bonds in the future to reduce overall administrative expenses.

(b) Other expenses

Other expenses decreased by 37.0% from HK$17.0 million for FY2017 to HK$10.7 million for FY2018 which was mainly due to the decreased legal and professional fees by HK$6.0 million and bank charges by HK$0.5 million.

(c) Finance costs

Finance costs increased from HK$165.7 million for FY2017 to HK$241.8 million for FY2018 which was mainly due to the increase in (i) interest on convertible bonds of HK$44.1 million; and (ii) interest on bank and other borrowings of HK$37.4 million.

(d) Income tax credit/(expense)

Income tax credit/(expense) was calculated at 25% and 8.25% or 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for FY2017 and FY2018 respectively.

Income tax credit of HK$2.3 million for FY2018 represented the current taxation arising from the PRC subsidiaries of HK$15.7 million and the deferred tax credit of HK$18.0 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Profit/(loss) attributable to the owners of the Company

The Group's profit for the year attributable to the owners of the Company arrived at HK$260.7 million for FY2018, representing an increase by HK$273.1 million from FY2017.

USE OF PROCEEDS

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

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

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

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

On 26 June 2018, the March 2018 Placement was completed. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK$173.2 million, which shall be utilised as proposed for mergers and acquisition of natural gas projects and as the general working capital of the Group.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

The Group maintained bank deposits, bank balances and cash amounting to HK$281.6 million as at 31 December 2018 (31 December 2017: HK$127.7 million), an increase of 120.5% from 31 December 2017.

The Group had total borrowings of HK$2,277.4 million as at 31 December 2018 (2017: HK$1,717.6 million). The Group's leverage ratio, which is total borrowings divided by the total assets was 27.7% (2017: 28.9%).

The Group's non-current assets increased to HK$6,338.9 million (31 December 2017: HK$4,784.0 million), primarily due to the increase in interests in associates of HK$1,611.3 million.

As at 31 December 2018, the Group's current assets of HK$1,889.4 million (31 December 2017: HK$1,155.6 million), mainly comprised of trade and other receivables of HK$1,154.9 million (31 December 2017: HK$703.3 million); cash and bank balances of HK$281.6 million (31 December 2017: HK$127.7 million); financial assets at fair value through profit or loss of HK$220.9 million (31 December 2017: HK$220.9 million); Contract assets of HK$93.0 million (31 December 2017: nil); inventory of HK$57.0 million (31 December 2017: HK$22.4 million); amounts due from joint ventures of HK$37.6 million (31 December 2017: HK$15.5 million); amounts due from associates of HK$30.7 million (31 December 2017: HK$18.9 million); promissory note receivable of HK$8.3 million (31 December 2017: HK$23.0 million) and prepaid lease payments of HK$5.4 million (31 December 2017: HK$4.7 million).

As at 31 December 2018, the Group's current liabilities of HK$1,789.4 million (31 December 2017: HK$1,123.6 million), mainly comprised of bank and other borrowings of HK$925.2 million (31 December 2017: HK$253.9 million); convertible bonds of HK$331.9 million (31 December 2017: HK$129.2 million); contract liabilities of HK$269.7 million (31 December 2017: nil); trade and other payables of HK$254.0 million (31 December 2017: HK$462.1 million); embedded derivatives at fair value through profit or loss of HK$6.0 million (31 December 2017: HK$23.2 million) and obligation under finance leases of HK$2.6 million (31 December 2017: HK$83.2 million).

As at 31 December 2018, the net current assets of the Group amounted to HK$100.0 million (31 December 2017: HK$32.0 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.06 as at 31 December 2018 (31 December 2017: 1.03).

During the year ended 31 December 2018, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

During the year ended 31 December 2018 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)*
One to two year(s) corporate bonds:		
Liu Chengkun 劉城昆	26 June 2018	10,000
Sang Lei 桑磊	19 September 2018	5,000
Fang Xiangzai 方香崽	30 November 2018	10,000
Shen Chen 沈忱	12 December 2018	10,000
Yan Huijuan 嚴惠娟	19 March 2019	5,300

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2018, there were 944 (2017: 934) 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 2018 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 2018.

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

During the year ended 31 December 2018, 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 2018.

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 2018 except for the following deviations:

Code provision A.2.1

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

Code provision A.6.7

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

Mr. Zhi Xiaoye, a non-executive Director, and Mr. Pang Siu Yin, an independent non-executive Director, were unable to attend the special general meeting and the annual general meeting of the Company held on 16 May 2018 and 8 June 2018, respectively due to other business commitments.

Code provision E.1.2

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 8 June 2018 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 Model Code throughout the year ended 31 December 2018.

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 2018 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 2019

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ming Kit, Mr. Hung Tao 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.