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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS:

– Revenue increased by 24.6% to HK$2,676.1 million.

– Total gas sale in subsidiaries increased by 90.0% to 1,013.2 million cubic meters, which was mainly attributable to the increase in trading and distrubition business by 145.2% to 675.9 million cubic meters.

– Gross profit increased by 13.2% to HK$224.5 million.

– By excluding all the one-off gain, which were gains on (i) disposal of subsidiaries (ii) deemed partial disposal of an associate (iii) partial disposal of joint ventures and (iv) gain arising from acqusition of an associate, EBITDA increased by 28.5% to HK$480.9 million.

– Total assets increased by HK$523.3 million to HK$8,751.6 million. The closing cash balance was HK$542.3 million, representing a year-on-year increase of 92.6%, and the gearing level was 36.1%.

ANNUAL RESULTS

Due to the travel restrictions related to the outbreak of the COVID-19 coronavirus, the audit process for the annual results of Beijing Gas Blue Sky Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 has been delayed and not been fully completed as of the date of this announcement. In order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, the board (the "**Board**") of directors (the "**Directors**") decides to publish the unaudited annual results announcement of the Group for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period in 2018.

The Board of the Company announces the unaudited consolidated annual results of the Group for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*5*	**2,676,129**	2,148,480
Cost of sales		**(2,451,619)**	(1,950,108)
Gross profit		**224,510**	198,372
Other gains and losses	*7*	**110,656**	64,125
Other income	*8*	**46,126**	36,258
Reversal of impairment /(impairment losses) on trade and other receivables, net	*10*	**5,749**	(21,325)
Administrative expenses		**(330,398)**	(284,814)
Other expenses		**(22,730)**	(10,713)
Finance costs	*9*	**(244,162)**	(241,764)
Share of profit of associates		**305,712**	251,485
Share of profit/(loss) of joint ventures		**1,575**	(923)
Gain on deemed partial disposal of an associate		**–**	1,588
Gain on partial disposal of joint ventures		**–**	2,625
Gain on disposal of subsidiaries		**–**	66,323
Gain arising from acquisition of an associate		**–**	197,951
Profit before income taxation	*11*	**97,038**	259,188
Income tax (expense)/credit	*12*	**(23,168)**	2,328
Profit for the year		**73,870**	261,516
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(355,554)**	(233,397)
Share of other comprehensive expense of associates and joint ventures		**(140,038)**	–
Fair value changes on the financial assets at fair value through other comprehensive income ("**FVTOCI**")		**(116,442)**	48,746
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(15,146)**	(3,771)
		(627,180)	(188,422)
Total comprehensive (expense)/income for the year		**(553,310)**	73,094

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(10,871)**	260,657
Non-controlling interests		**84,741**	859
		73,870	261,516
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(602,453)**	75,120
Non-controlling interests		**49,143**	(2,026)
		(553,310)	73,094
(Loss)/earnings per share	*14*		
– Basic		**(HK0.08 cent)**	HK2.27 cents
– Diluted		**(HK0.08 cent)**	HK2.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Non-current assets			
Prepaid lease payments		**–**	41,579
Right-of-use assets		**222,832**	–
Property, plant and equipment		**481,055**	620,667
Intangible assets		**1,162,748**	1,234,621
Goodwill	*15*	**1,475,408**	1,139,731
Interests in associates		**1,771,318**	1,821,615
Interests in joint ventures		**360,346**	355,445
Deposits for acquisition of subsidiaries		**772,178**	803,080
Deposits for acquisitions of property, plant and equipment		**77,151**	82,369
Prepayment and other receivables	*16*	**45,800**	15,115
Financial assets at FVTOCI		**119,662**	224,366
Other non-current assets		**300**	300
		6,488,798	6,338,888
Current assets			
Prepaid lease payments		**–**	5,408
Inventories		**54,356**	56,982
Contract assets		**46,606**	93,038
Trade and other receivables	*16*	**1,329,952**	1,154,856
Amounts due from joint ventures		**38,022**	37,589
Amounts due from associates		**31,344**	30,736
Promissory note receivable		**–**	8,311
Financial assets at fair value through profit or loss ("**FVTPL**")		**220,234**	220,918
Cash and bank balances		**542,298**	281,604
		2,262,812	1,889,442

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Current liabilities			
Trade and other payables	*17*	**560,769**	254,044
Contract liabilities		**173,720**	269,733
Lease liabilities		**35,587**	–
Bank and other borrowings	*18*	**2,167,410**	925,182
Obligations under finance leases		**–**	2,568
Convertible bonds		**373,412**	331,916
Embedded derivatives at fair value through profit or loss		**–**	6,003
		3,310,898	1,789,446
Net current (liabilities)/assets		**(1,048,086)**	99,996
Total assets less current liabilities		**5,440,712**	6,438,884
Capital and reserves			
Share capital	*19*	**714,236**	714,236
Reserves		**3,712,581**	4,314,506
Equity attributable to owners of the Company		**4,426,817**	5,028,742
Non-controlling interests		**144,260**	84,654
Total equity		**4,571,077**	5,113,396
Non-current liabilities			
Amounts due to joint ventures		**135,148**	72,145
Lease liabilities		**126,164**	–
Obligations under finance leases		**–**	63,659
Bank and other borrowings	*18*	**318,511**	555,578
Convertible bonds		**–**	326,325
Deferred tax liabilities		**289,812**	307,781
		869,635	1,325,488
		5,440,712	6,438,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in the Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1411, 14/F., New World Tower I, 16-18 Queen's Road Central, Hong Kong respectively.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively refer to as the "Group") 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. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$1,048,086,000 (31 December 2018: net current assets HK$99,996,000).

At 31 December 2019, the Group had unutilised banking facilities in aggregate of approximately HK$100,977,000. Subsequent to the end of the reporting period, the Group is granted with additional bank facilities in aggregate of approximately HK$887,500,000 and issued corporate bonds amounting at principal amount of approximately HK$351,115,000 of which approximately HK$174,365,000 will be due more than one year.

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised IFRSs, as stated in note 3 below and effective from the current year.

3. ADOPTION OF NEW/REVISED IFRSs

In current year, the Group has applied, for the first time, the following new/revised IFRSs:

Annual Improvements to IFRSs	2015–2017 Cycle
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Employee Benefits
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases

Annual Improvements Project – 2015-2017 Cycle

IFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in IFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IFRIC-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

Amendments to IAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture, to which the equity method is not applied, are accounted for using IFRS 9.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at FVPL if specified conditions are met.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The Group has applied IFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

As lessee

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of IFRS 16, the Group accounted for the leases in accordance with the transition provisions of IFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As lessee – leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying IAS 17. The Group accounts for those leases applying IFRS 16 from the DIA.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.12%.

Reconciliation of operating lease commitments disclosed applying IAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

	HK$'000
Operating lease commitments at 31 December 2018	22,811
Lease liabilities discounted at relevant incremental borrowing rates	22,572
Less: Recognition exemption – short-term/low-value leases	(180)
Add: Obligations under finance leases recogrised at 31 December 2018	66,227
Lease liabilities at 1 January 2019	88,619

At the DIA, except for those that meet the definition of investment properties, all other right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities including those previously presented under "interest-bearing borrowings" were shown separately on the consolidated statement of financial position.

As a result, transfer was made at the DIA to reflect the changes in presentation:

	Carrying amounts on 31 December 2018 under IAS 17	**Transfer – Increase (Decrease)**	**Carrying amounts on 1 January 2019 under IFRS 16**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Prepaid lease payments	41,579	(41,579)	–
Property, plant and equipment	620,667	(42,830)	577,837
Right-of-use assets	–	112,399	112,399
Current asset			
Prepaid lease payment	5,408	(5,408)	–
Current liabilities			
Obligation under finance leases	2,568	(2,568)	–
Lease liabilities	–	11,211	11,211
Non-current liabilities			
Obligation under finance leases	63,659	(63,659)	–
Lease liabilities	–	77,598	77,598

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Natural gas refuelling station	**153,871**	173,005
Trading and distribution of natural gas	**1,527,105**	917,130
City Gas, value-added service and others	**926,870**	848,487
Pipeline construction fee	**68,283**	209,858
	2,676,129	2,148,480

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 services rendered. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

2. Trading and distribution of natural gas – distributing and trading CNG, 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 – sales 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, provision of port facilities for vessels and re-gasification of LNG, and others, such as sale of electricity and transportation income.

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 2019

	Natural gas refuelling station	Trading and distribution of natural gas	City Gas, pipeline construction fee, value-added service and others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
External segment revenue	**153,871**	**1,527,105**	**995,153**	**2,676,129**
Inter-segment sales	**–**	**356,801**	**57,227**	**414,028**
	153,871	**1,883,906**	**1,052,380**	**3,090,157**
Segment profit	**7,008**	**16,537**	**451,081**	**474,626**
Certain other income and other gains and losses				**83,582**
Central corporate expenses				**(217,008)**
Finance costs				**(244,162)**
Profit before income tax				**97,038**

Inter-segment sales are charged at prevailing market rates.

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

For the year ended 31 December 2018

	Natural gas refuelling station *HK$'000* (Audited)	Trading and distribution of natural gas *HK$'000* (Audited)	City Gas, pipeline construction fee, value-added service and others *HK$'000* (Audited)	Consolidated *HK$'000* (Audited)
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

Inter-segment sales are charged at prevailing market rates.

Segment profit for the year ended 31 December 2018 consists of gain arising from acquisition of an associate of HK$197,951,000 as 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 ("Focus On") and a wholly owned subsidiary of the Company, 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 a gain on disposal of a subsidiary of HK$8,948,000.

(ii) Disposal of 100% equity interests in Faster Success Global Limited ("Faster Success") at a cash consideration of HK$50,000,000 (the "Chiping Disposal") to an independent third party. The Chiping Disposal results in a gain on disposal of a subsidiary of HK$36,040,000.

(iii) Disposal of 60% equity interests in Waypost Limited ("Waypost"), 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 a gain on disposal of a subsidiary of HK$21,335,000.

Segment assets and liabilities

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

Segment assets

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Natural gas refuelling station	**916,394**	914,113
Trading and distribution of natural gas	**150,298**	174,324
City Gas, pipeline construction fee, value-added service and others	**6,251,046**	6,031,138
Total segment assets	**7,317,738**	7,119,575
Prepayment and other receivables	**45,800**	15,115
Financial assets at FVTOCI	**119,662**	224,366
Cash and bank balances	**542,298**	281,604
Right-of-use assets for corporate use	**11,436**	–
Property, plant and equipment for corporate use	**3,665**	4,018
Promissory note receivable	**–**	8,311
Financial assets at FVTPL	**220,234**	220,918
Other unallocated assets	**490,777**	354,423
Consolidated assets	**8,751,610**	8,228,330

Segment liabilities

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Natural gas refuelling station	**50,688**	46,003
Trading and distribution of natural gas	**107,487**	32,131
City Gas, pipeline construction service, value-added service and others	**1,133,274**	869,504
Total segment liabilities	**1,291,449**	947,638
Convertible bonds	**373,412**	658,241
Bank and other borrowings	**2,485,921**	1,480,760
Embedded derivatives at FVTPL	**–**	6,003
Certain lease liabilities	**11,753**	386
Other unallocated liabilities	**17,998**	21,906
Consolidated liabilities	**4,180,533**	3,114,934

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 note receivable, prepayment and other receivables, financial assets at FVTOCI, cash and bank balances, property, plant and equipment for corporate use, right-of-use assets 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, certain lease liabilities 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 PRC.

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

	Revenue from external customers	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
The PRC	**2,676,129**	2,148,480

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

Information about major customers

None of the customer contributed over 10% of the Group during the years ended 31 December 2019 and 2018.

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Government grants	**91,375**	12,678
Net realized exchange gain	**11,409**	54,895
Change in fair value of embedded derivatives at FVTPL	**6,003**	53,438
Change in fair value of financial assets mandatorily measured at FVTPL		
– Held for trading	**(3,260)**	(11,275)
– Others	**5,129**	(45,611)
	110,656	64,125

8. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income	**33,226**	28,494
Rental income	**406**	205
Gas appliances income	**8,197**	6,701
Sundry income	**4,297**	858
	46,126	36,258

9. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Finance charges on lease liabilities	**13,454**	–
Finance charges on obligations under finance leases	**–**	7,301
Interest on bank borrowings	**19,433**	6,458
Interest on other borrowings	**69,813**	52,565
Interest on convertible bonds	**141,462**	175,440
	244,162	241,764

10. REVERSAL OF IMPAIRMENT/(IMPAIRMENT LOSSES) ON TRADE AND OTHER RECEIVABLES, NET

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Reversal of impairment/(impairment losses) recognised on:		
– Trade receivables	**22,256**	(21,325)
– Other receivables	**(16,507)**	–
	5,749	(21,325)

11. PROFIT BEFORE INCOME TAXATION

This is stated after charging:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Employee benefit expenses (including directors' emoluments)		
Salaries, bonuses and other benefits	**99,794**	96,656
Contribution to defined contribution plans	**17,278**	18,541
Share-based payment (included in administrative expenses)	**528**	1,555
	117,600	116,752

	2019	2018
	HK$'000	*HK$'000*
Other items		
Auditor's remuneration	**2,400**	3,000
Amortisation of intangible assets	**71,873**	71,873
Amortisation of prepaid lease payments	**–**	5,674
Cost of inventories recognised as expense	**2,312,899**	1,194,253
Depreciation of property, plant and equipment (Note)	**45,248**	21,247
Depreciation of right-of-use assets	**22,571**	–
Legal and professional fees (included in "Other expenses")	**11,345**	9,547
Other rental and related expenses	**–**	10,805

Note:

Depreciation of property, plant and equipment for the year ended 31 December 2018 disclosed above included depreciation of leased assets of approximately HK$3,113,000.

12. INCOME TAX (EXPENSE)/CREDIT

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax – the PRC Enterprise Income Tax ("EIT")	**(41,136)**	(15,640)
Deferred tax	**17,968**	17,968
Total income tax (expense)/credit	**(23,168)**	2,328

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 of the Company 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. DIVIDEND

The Board did not recommend payment of dividend for both years ended 31 December 2018 and 2019.

14. (LOSS)/EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	**(10,871)**	260,657
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**–**	16,994
Change in fair value of embedded derivatives at fair value through profit or loss	**–**	(34,465)
(Loss)/profit for the purpose of diluted (loss)/earnings per share	**(10,871)**	243,186

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**12,986,114,715**	11,465,470,587
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	26,967,116
Convertible bonds issued by the Company	**–**	163,518,385
	–	190,485,501
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**12,986,114,715**	11,655,956,088

The computation of diluted loss per share and earnings per share does not assume the conversion of all outstanding convertible bonds (2018: certain outstanding convertible bonds) issued by the Company since their assumed exercise would result in decrease in loss per share (2018: increase in earnings per share) for the year ended 31 December 2019.

15. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2018 (audited)	1,212,765
Disposal of subsidiaries	(73,034)
At 31 December 2018 and 1 January 2019 (audited)	1,139,731
Acquisition of subsidiaries	335,677
At 31 December 2019 (unaudited)	1,475,408

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

16. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**408,592**	208,003
Less: allowance of credit loss *(Notes)*	**(47,690)**	(69,514)
Trade receivables – net	**360,902**	138,489
Prepayments	**483,471**	261,901
Consideration receivables	**–**	145,797
Loan and bond receivables	**390,861**	530,187
Other receivables	**140,518**	93,597
	1,375,752	1,169,971

Notes:

(a) As at 31 December 2019 and 31 December 2018, trade receivables from contracts with customers amounted to HK$360,902,000 and HK$138,489,000 respectively.

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 for sales of gas and the billing dates for work performed for construction contracts. The Group generally allows average credit period of 30 to 120 days to its customers.

	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**331,904**	99,596
91 – 120 days	**5,310**	14,984
121 – 180 days	**1,648**	20,995
181 – 365 days	**22,040**	2,914
	360,902	138,489

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$28,997,000 (2018: HK$61,486,000) which are past due as at 31 December 2019. Out of the past due balances, approximately HK$22,027,000 (2018: HK$25,754,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

(b) Prepayments mainly included prepayment for purchase of natural gas, construction and related products of approximately HK$300,920,000 (2018: HK$196,319,000).

(c) Loan and bond receivables at 31 December 2019 mainly included:

(i) nine (2018: four) loan receivables of approximately HK$305,863,000 (2018: HK$444,539,000) in total. These loan receivables are short term loan advances to independent third parties, which are unsecured, interest bearing and repayable within one year except for approximately HK$39,078,000 (2018: nil) is repayable after one year; and

(ii) three (2018: three) bond receivables of approximately HK$84,998,000 (2018: HK$73,017,000) in total. These bond receivables are redeemable within one year from independent third parties, which are unsecured and interest bearing.

(d) Other receivables at 31 December 2019 mainly included a security deposits paid to the PRC government with net carrying amount of approximately HK$29,827,000 (2018: HK$45,540,000).

17. TRADE AND OTHER PAYABLES

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Trade payables	(a)	**449,062**	192,096
Accrued charges and other creditors	(b)	**89,578**	44,803
Construction cost payables		**22,129**	17,145
		560,769	254,044

Notes:

(a) The Group was granted by its suppliers credit periods ranging from 30 to 90 days (2018: 30 to 90 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
0 – 90 days	**411,471**	161,734
91 – 180 days	**8,147**	13,625
181 – 365 days	**11,629**	11,467
Over 365 days	**17,815**	5,270
	449,062	192,096

(b) No commission payable was recorded as at 31 December 2019 (31 December 2018: HK$7,892,000) in relation to the issue of convertible bonds for the year 2017.

18. BANK AND OTHER BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings *(note a)*	**1,229,389**	229,760
Corporate bonds *(note b)*	**1,248,532**	1,210,000
Other borrowing *(note c)*	**8,000**	41,000
	2,485,921	1,480,760
Carrying amount repayable*:		
Within one year**	**2,167,410**	925,182
More than one year, but not exceeding two years	**173,223**	355,578
More than two years, but not exceeding five years	**145,288**	195,000
More than five years	**–**	5,000
	2,485,921	1,480,760
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**2,167,410**	925,182
Amounts shown under non-current liabilities	**318,511**	555,578

* 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:

	2019	2018
Effective interest rate:		
Fixed-rate bank borrowings	**6.96%**	6.33%
Variable-rate bank borrowings	**2.76% – 4.87%**	2.39% – 4.29%

As at 31 December 2019, HK$1,173,464,000 (2018: HK$170,000,000) out of the total unsecured bank borrowing balances of approximately HK$1,229,389,000 (2018: HK$229,760,000) are denominated in HK$.

Notes:

(a) As at 31 December 2019, the bank borrowings of approximately HK$39,148,000 (2018: HK$5,112,000) were secured. The remaining bank borrowings of approximately HK$1,190,241,000 (2018: HK$224,648,000) were unsecured.

(b) The unsecured corporate bonds issued by the Company during the year 2019 amounted to HK$1,257,131,000 (2018: HK$895,000,000). The unsecured bonds have maturity of one to eight years (2018: one to eight years) until 2024 (2018: 2024) and carry interest at 0.8% to 8% (2018: 2% to 8%) per annum. Transaction costs of approximately HK$59,077,000 (2018: HK$45,825,000) have been incurred and the corporate bonds carry effective interest at 4.49% (2018: 5.70%) per annum.

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

19. SHARE CAPITAL

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

Notes:

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

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

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

(iv) On 6 June 2018, the Company issued 2,407,708,800 new ordinary shares of HK$0.055 each at the issue price of HK$0.50 per share, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 6 June 2018 as quoted on the Stock Exchange was HK$0.55. An amount of HK$1,191,816,000 in excess of per value were credited to share premium.

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

20. COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted for but not provided:		
– property, plant and equipment	**16,511**	26,565
– acquisition of subsidiaries	**–**	152,000
	16,511	178,565

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back 2019, we found that although it was affected by sluggish economic growth and reduction of coal-to-gas conversion opportunities, the policies continued to facilitate reform, popularized low-carbon economy, optimized market and drived economy by demands. As such, these favorable conditions continued to increase the development of natural gas. According to the data from National Development and Reform Commission and National Bureau of Statistics of China, production of natural gas reached 177.7 billion cubic meters, representing a year-on-year increase of 11.5%; import of natural gas reached 132.2 billion cubic meters, representing a year-on-year increase of 6.5%; consumption of natural gas reached 306.7 billion cubic meters, representing a year-on-year increase of 9.4%.

Even though challenges could be found in domestic and foreign environment throughout 2019, governments remained resolved in facilitating control of environmental pollution with such policies on environmental protection as *Blue Sky Three-year Defensive plan* and *Coal-to-Gas Policy* to stimulate demands for natural gas. In order to satisfy the rapid growth demands of clean energies, China made great effort to promote exploration and development, and imported resources also became a strong supplement to meet overall demand. As an essential imported resource, LNG played an increasingly important role in the supply of natural gas in China, and was of great significance to the adjustment of domestic energy structure. At present, China keeps improving imported LNG infrastructure, and completed nearly 22 LNG receiving terminals. According to *Gas 2019: Analysis and Forecast to 2024* made by the International Energy Agency, it is expected that China will become the largest LNG importer in the future across the world with import reaching 109.0 billion cubic meters. It is also stated in the 14th Five-Year Plan that clean and low-carbon energy will be the long-term strategic focus in China, and the state should develop and deploy production, supply and sales system for natural gas, and speed up the construction of key production bases for natural gas to keep its dependence on external resources to a reasonable level. Furthermore, the continuous implementation of low-carbon economy model will constantly bring new opportunities for natural gas industry, and consumption of natural gas will increase gradually and its application will continuously expand.

Seizing great opportunities attributed by the state's great effort to enhance environmental pollution control and deepening reform in energy system and taking advantages of the entire LNG industrial chain layout in 2019, the Group completed market layout strategy of "connecting the south and the north", along the coastal regions and established sound partnership with various upstream gas sources providers to ensure stable supply of gas. Meanwhile, the Group acquired a LNG operator in the Eastern China that developed a solid trading coverage network in the Eastern China and provides high-quality key industrial users with direct LNG supply business to produce a strong LNG synergistic effect.

REVIEW OF OPERATIONS

For the year ended 31 December 2019 ("FY2019"), the Group recorded a revenue of HK$2,676.1 million (FY2018: HK$2,148.5 million), representing an increase of 24.6% as compared to the corresponding period of last year. The growth was mainly attributable to the completion of the acquisition of Zhejiang Bo Xin and Xin Te (the "Zhejiang Acquisition") this year. LNG business has been launched with great success, as income from LNG business increased significantly by 66.5% over the corresponding period, and income from direct LNG supply business also increased by 21.7% over the corresponding period. Gross profit increased from HK$198.4 million for the year ended 31 December 2018 ("FY2018") to HK$224.5 million for FY2019. The Group recorded a net profit of HK$73.9 million (FY2018: HK$261.5 million), representing a decrease of 71.8% as compared to the corresponding period of last year, which mainly due to absence of the following gains in FY2019 (i) disposal of subsidiaries; (ii) deemed partial disposal of an associate; (iii) partial disposal of joint ventures and (iv) gain arising from acquisition of an associate (collectively the "One-off Gains"), earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group increased by 28.5% to HK$480.9 million in FY2019.

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 throughput As of December		LNG throughput As of December		Subtotal As of December		Total As of December	
		No.of station	Sales volume (m^3)	Sales volume (%)	Sales volume (m^3)	Sales volume (%)	Sales volume (m^3)	Sales volume (%)	Sales volume (m^3)	Sales volume (%)	Subtotaled sales volume (m^3)	Subtotaled sales volume (%)	Gasification volume (m^3)	Gasification volume (%)	Unloading volume (m^3)	Unloading volume (%)	Subtotaled throughout (m^3)	Subtotaled throughout (%)	Total volume (m^3)	Total volume (%)
	Liaoning Province	1	368,453	0.9%	26,248,257	15.0%	24,311,763	18.0%	–	0.0%	50,928,473	4.9%	–	0.0%	–	0.0%	–	0.0%	50,928,473	0.7%
	Shandong Province	1	1,016,465	2.4%	–	0.0%	107,622	0.1%	5,358,832	0.8%	6,482,919	0.6%	–	0.0%	–	0.0%	–	0.0%	6,482,919	0.1%
	Guizhou Province	1	3,118,850	7.3%	–	0.0%	5,054,086	3.7%	–	0.0%	8,172,936	0.8%	–	0.0%	–	0.0%	–	0.0%	8,172,936	0.1%
	Guangdong Province	–	–	0.0%	–	0.0%	15,511,100	11.5%	2,568,720	0.4%	18,079,820	1.8%	–	0.0%	–	0.0%	–	0.0%	18,079,820	0.2%
	Anhui Province	–	–	0.0%	–	0.0%	522,300	0.4%	185,602,376	27.4%	186,124,676	18.1%	–	0.0%	–	0.0%	–	0.0%	186,124,676	2.5%
	Hainan Province	5	17,492,428	41.0%	–	0.0%	5,894,641	4.4%	52,445,046	7.7%	75,832,115	7.4%	–	0.0%	–	0.0%	–	0.0%	75,832,115	1.0%
	Beijing city	–	–	0.0%	–	0.0%	–	0.0%	13,186,420	1.9%	13,186,420	1.3%	–	0.0%	–	0.0%	–	0.0%	13,186,420	0.2%
Subsidiaries	Zhejiang Province	–	–	0.0%	–	0.0%	81,457,289	60.3%	323,512,985	47.7%	404,970,274	39.3%	–	0.0%	–	0.0%	–	0.0%	404,970,274	5.6%
	Shannxi Province	–	–	0.0%	–	0.0%	–	0.0%	14,414,361	2.2%	14,414,361	1.4%	–	0.0%	–	0.0%	–	0.0%	14,414,361	0.2%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	28,432,790	4.2%	28,432,790	2.8%	–	0.0%	–	0.0%	–	0.0%	28,432,790	0.4%
	Jilin Province	2	2,440,952	5.7%	33,511,064	19.2%	–	0.0%	–	0.0%	35,952,016	3.5%	–	0.0%	–	0.0%	–	0.0%	35,952,016	0.5%
	Shanxi Province	7	11,186,886	26.1%	106,902,730	61.2%	–	0.0%	–	0.0%	118,089,616	11.5%	–	0.0%	–	0.0%	–	0.0%	118,089,616	1.6%
	Guangxi Province	–	–	0.0%	–	0.0%	–	0.0%	10,135,776	1.5%	10,135,776	1.0%	–	0.0%	–	0.0%	–	0.0%	10,135,776	0.1%
	Ningxia Autonomous	–	–	0.0%	–	0.0%	–	0.0%	7,476,448	1.1%	7,476,448	0.7%	–	0.0%	–	0.0%	–	0.0%	7,476,448	0.1%
	Shanghai city	–	–	0.0%	–	0.0%	2,118,984	1.6%	32,796,764	4.8%	34,915,748	3.4%	–	0.0%	–	0.0%	–	0.0%	34,915,748	0.5%
	Sub-total:	17	35,624,034	83.4%	166,662,051	95.4%	134,977,785	100%	675,930,518	99.7%	1,013,194,388	98.3%	–	0.0%	–	0.0%	–	0.0%	1,013,194,388	13.8%
	Hainan Province	9	2,450,977	5.7%	–	0.0%	–	0.0%	–	0.0%	2,450,977	0.2%	–	0.0%	–	0.0%	–	0.0%	2,450,977	0.1%
Associates	Anhui Province	3	4,638,096	10.9%	–	0.0%	–	0.0%	2,232,006	0.3%	6,870,102	0.7%	–	0.0%	–	0.0%	–	0.0%	6,870,102	0.1%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	5,502,966,430	100.0%	772,799,230	100.0%	6,275,765,660	100.0%	6,275,765,660	85.9%
	Sub-total:	12	7,089,073	16.6%	–	0.0%	–	0.0%	2,232,006	0.3%	9,321,079	0.9%	5,502,966,430	100.0%	772,799,230	100.0%	6,275,765,660	100.0%	6,285,086,739	86.1%
Joint Venture	Hubei Province	–	–	0.0%	7,982,255	4.6%	–	0.0%	–	0.0%	7,982,255	0.8%	–	0.0%	–	0.0%	–	0.0%	7,982,255	0.1%
	Sub-total:	–	–	0.0%	7,982,255	4.6%	–	0.0%	–	0.0%	7,982,255	0.8%	–	0.0%	–	0.0%	–	0.0%	7,982,255	0.1%
	Total:	29	42,713,107	100%	174,644,306	100%	134,977,785	100%	678,162,524	100%	1,030,497,722	100%	5,502,966,430	100%	772,799,230	100%	6,275,765,660	100%	7,306,263,382	100%

In FY2019, the Group's total gas sales and throughput volume increased by 42.6% year on year to approximately 7,306.2 million cubic meters (FY2018: 5,125.0 million cubic meters). The gas sales volume from the subsidiaries amounted to 1,013.2 million cubic meters in FY2019 (FY2018: 533.4 million cubic meters), and the significant increase was attributable to LNG business. In particular, since the remaining 88 million cubic meters of a shipment of offshore gas purchased through cooperation with CNOOC was sold out at the beginning of the year, and the LNG business grew upon the completion of the Zhejiang Acquisition, LNG business achieved a year-on-year growth of 145.2%. Moreover, the sales from direct LNG supply business also achieved a year-on-year growth of by approximately 51.3% because of the new acquisition projects.

As at 31 December 2019, the Group's natural gas projects covered 17 provinces, cities and autonomous regions in the PRC, including Liaoning Province, Jilin Province, Hebei Province, Beijing City, Shandong Province, Shanxi Province, Shaanxi Province, Ningxia Autonomous Region, Shanghai City, Jiangsu Province, Anhui Province, Zhejiang Province, Guizhou Province, Hubei Province, Guangdong Province, Guangxi Province and Hainan Province.

CITY GAS BUSINESS

As of FY2019, the Group had 6 city gas projects in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group connected gas pipelines for 45,042 new users and the accumulated number of users reached 477,443, of which 44,784 were new residential users and the accumulated number of residential users reached 474,949. The volume of natural gas sold by the Group to residential users amounted to 72.6 million cubic meters (FY2018: 53.8 million cubic meters). The Group secured 258 new industrial and commercial users and the accumulated industrial and commercial users reached 2,494, and the natural gas sold to industrial and commercial users reached 94.1 million cubic meters (FY2018: 79.2 million cubic meters). City gas segments recorded an income of HK$565.0 million, which included a connection fee income of HK$68.3 million, and the government grants related to connection fee income of HK$73.2 million was recorded in other gains and losses (FY2018: HK$209.9 million).

The Group actively responded to national policies. In order to properly implement the Blue Sky Defensive Strategy to 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 regions. Moreover, the Group is developing high-quality industrial and commercial users in order to adjust the gas consumption structure of the Northeast market, the Group 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 addition, further development of urbanization boosted residential gas consumption. As China's economy continues to grow, urbanization is expected to achieve stable development, and gas market will likely further expand in the future.

TRADING AND DISTRIBUTION OF LNG AND CNG BUSINESS

As of 31 December 2019, the Group owned 29% equity interests in PetroChina Jingtang LNG Co., Ltd., and distributed LNG with gas sources from Sinopec's Dongjiakou receiving terminal in Bohai Rim, and distributed LNG with gas sources from CNOOC's Ningbo receiving terminal in the Eastern China. The Group recorded a total trading volume of 675.9 million cubic meters (FY2018: 275.7 million cubic meters) and segment sales amount in trading and distribution business of HK$1,527.1 million (FY2018: HK$917.1 million) through distributing LNG by 67 self-owned natural gas transportation vehicles (FY2018: 52 natural gas transportation vehicles). Benefiting from the advantage of the Group's whole LNG value chain business, the sales from this business grew dramatically. The Group participated in the first bidding for the window period of LNG receiving terminal provided by CNOOC to independent third party with its business partner in winter 2018, gained access to the import and joint distribution right of offshore gas in the peak season of demand for LNG, and completed the distribution of approximately 88 million cubic meters of LNG during the reporting period. The layout of the Group's LNG business has become more solid upon building up the upstream gas resources, stronger midstream logistics deployment capacity as well as the downstream terminal distribution advantages in the whole LNG value chain, Therefore, the entire value 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. In addition, in the first half of 2019, the Group completed the Zhejiang Acquisition, which is a significant LNG operator in the Zhejiang region with better upstream gas sources and a huge trading network, contributing to stronger growth of the Group's trading business during the period.

DIRECT SUPPLY BUSINESS

During the year, the Group recorded an income of HK$430.1 million from its direct supply business, representing an increae of 21.7% as compared to the corresponding period (FY2018: 353.5 million), which sold 135.0 million cubic meters (FY2018: 89.2 million cubic meters) of natural gas to industrial and commercial users through the provision of the direct supply service, representing a growth of 51.3% as compared to the corresponding period of last year, covering such provinces as Shandong Province, Guizhou Province, Anhui Province, Hainan Province, Zhejiang Province, Guangdong Province, Liaoning Province and Shanghai City. Gas sales volume from this business increased in 2019 mainly attributable to the completion of the Zhejiang Acquisition at the end of May 2019, which provides direct supply service to over 100 industrial customers with high demands for LNG as the project is located at Yangtze River Delta region. With steady upstream gas sources and regular downstream industrial customers, the project has become a significant contributor to the growth of LNG direct supply business of the Group since the completion of the acquisition.

LNG AND CNG REFUELLING STATION BUSINESS

The Group sold natural gas to LNG vehicles (trucks and buses) and CNG vehicles (taxis, buses and private cars). During FY2019, the Group owned 29 gas refuelling stations including 17 CNG refuelling stations and 12 LNG refuelling stations (FY2018: 34 gas refuelling stations including 19 CNG refuelling stations and 15 LNG refuelling stations) mainly covering Hainan Province, Anhui Province, Shandong Province, Guizhou Province, Jilin Province, Shanxi Province and Liaoning Province, with gas sales of 35.6 million cubic meters (FY2018: 35.4 million cubic meters) and sales income of HK$153.9 million (FY2018: HK$173.0 million), representing a decrease of 11.0% as compared to the corresponding period of last year, which was mainly affected by recession in the industry, the selling price declined compared to the corresponding period last year, as such the Group closed some gas refuelling stations that presented unsatisfactory operation performance.

LNG RECEIVING TERMINAL PROJECTS

In FY2019, the total throughput volume of Petrochina Jingtang (Caofeidian Jingtang LNG Receiving Terminal) reached 6,275.8 million cubic meters, among which, the gas volume externally delivered to the pipelines through gasification was 5,503.0 million cubic meters while the gas transportation volume of tank trucks was 772.8 million cubic meters. The throughput volume of this project dropped this year as compared to corresponding period of last year, mainly because consumption growth declined in natural gas industry; implementation of coal-to-gas policy slowed down; growth of demand from the downstream in the Northern China decreased, and warm winter resulted in low demand from downstream sector.

Expansion initiatives

The Group completed the Zhejiang Acquisition in May 2019, the consideration of which was RMB205,000,000 (equivalent to approximately HK$239,174,000). As an essential LNG strategy of the Group, the project will help the Group to further improve its comprehensive competitiveness in markets in the Eastern China or even across China.

FUTURE PROSPECTS

The year of 2020 is a crucial year for China to accurately implement the Blue Sky Three-year Defensive Plan. Since cities, provinces and the state will continue to facilitate the implementation of policies for environmental protection, demands for natural gas will continue to grow. China launched a series of initiatives, as natural gas keeps bringing its advantages into China's energy structure, including establishing China Oil & Gas Piping Network Corporation, introducing Measures for the Supervision and Administration of Fair Opening of Oil and Gas Pipelines Network, further opening market for upstream oil and gas exploration and exploitation, putting China-Russia east-route natural gas pipeline into service, encouraging upstream companies to increase inventory and production, and providing LNG enterprises with great support, under the state guidance of "Regulation of the core, flexibility of the ends", this will continuously stimulate natural gas industry's growth.

Seize the benefit from policies, realise the key layout

As the government adopts the policy of "Regulation of the core and flexibility of the ends", the Group will make good use of "core" resources, and develop key "ends" businesses to seek opportunities in the industry, and maximize the comprehensive advantages.

Regarding upstream gas sources, the Group not only held equity interest in LNG receiving terminal located at Tangshan, but also won the bid for window period to engage in international trade for LNG through cooperating with CNOOC. Since the Group has successful experience in international procurement for gas source and domestic trade distribution, various domestic and overseas companies are willing to make strategic cooperation with the Group. For instance, China Sam Enterprise Group Co., Ltd ("China Sam") entered into Cooperation Framework Agreement with the Group in the hope to maximize the development value of its existing LNG resources cooperatively. In the future, the Group will explore the cooperation with Sinoenergy Corp, a subsidiary of China Sam, to provide proper use of a total of 4 million tons LNG loading and unloading capacities annually of Sinoenergy Corp's Jiangyin receiving terminal in Yangtze River Delta and Chaozhou receiving terminal in the Pearl River Delta economic belts, take advantage of the international procurement resources and experience, and gain greater bargaining power in international gas sources. As such, would improve the Group's pricing power and industrial influence in international procurement and domestic distribution.

In addition, SK E&S, a Korean group whose main businesses are LNG and renewable energies, is interested with China's market potential (as China is one of the East Asian countries with fastest growth of demands for LNG) and the domestic resources and operation experience of the Group. Thus, there will be more collaborative cooperation with the Group for upstream gas source businesses. Meanwhile, Beijing Gas Group Co., Ltd ("Beijing Gas"), a major shareholder of the Group, is constructing a LNG receiving terminal at Nangang Industrial Zone in Tianjin, including wharf, berth, and 10 LNG storage tanks with the tank capacity of 200 thousand cubic meters each, and building the supporting facility – pipelines transmitting natural gas from the receiving terminal to Beijing City. This indicates that the Group will have more cooperation opportunities with the major shareholder, Beijing Gas, in constructing LNG wharf and trading of LNG. Furthermore, the Group will also pay close attention to other wharf resources to improve its capacity to handle businesses.

In terms of LNG business from downstream customers, the Group is maximizing the synergistic effect brought by the acquisition, and exploring potential in Yangtze River Delta after the completion of the Zhejang Acquisition. It is expected that the Group will adopt the same strategy in Beijing-Tianjin-Hebei region, another district with strong consumption of LNG. Enjoying prosperous economy, Beijing-Tianjin-Hebei region is home to various commercial and industrial enterprises with considerable market demands. In the future, the Group will keep increasing its market share and influence in Yangtze River Delta and Beijing-Tianjing-Hebei region to generate development momentum for surrounding areas, and improving its overall capacity to supply and distribute LNG to increase its total volume of trade and form greater scale economies effect, so as to further enhance the Group's bargaining power with upstream markets.

In terms of city gas business, the Group will gradually gain more projects, and projects designed mainly for industrial and commercial users will become a driver for growth. At the same time, the Group will make every possible effort to attract such end market customers such as gas power plants, gas for transportation, distributed energy, industrial and commercial users, and residential users, so as to increase gas consumption from the end customers.

Achieve rapid growth with support from the major shareholder and the Group's strength

With the establishment of China Oil & Gas Piping Network Corporation, pipeline and network becomes independent which would gradually open to third parties, so as to improve the fair competitive capability of other market players. The Group will maximize the advantages of LNG layout in the upstream sector and stable commercial and industrial customer network in the downstream sector to gradually improve its comprehensive services, and increase the proportion in the profit of trade. As for city gas business, the Group will keep exploring opportunities of the major shareholder's project in Beijing-Tianjin-Hebei region and China-Russia east-route natural gas pipeline, 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 city gas assets, and also leverage the existing projects' "point-to-area"(以點帶面) capability to focus on tapping the market potential of Shanxi and Jilin.

Improve management system to promote high-quality development

Focusing on strategy planning and based on main principles of "increasing revenue while reducing expenditure, and reducing cost while increasing efficiency", the Group will optimize its organization structure and personnel, impose strict control on expense, and improve efficiency to implement projects, so as to increase its comprehensive profitability. In terms of finance, as projects acquired has achieved normal operation to increase cash flow and work in tandem with the support from the major shareholder, the Group will broaden financing channel, increase debt ratio and scale of current borrowings appropriately through cooperation with more commercial banks, and achieve a reasonable decline in finance cost by refinancing the existing debts to improve the Group's profitability. In terms of management of budget and cash flow, the Group will develop strict review system and a large data management system, adopt various measures to ensure the security of cash flow, and make active effort to develop peripheral market guided by budget objectives, As such, to make constant improvement in its overall operation, and ensure high-quality development for the Group. In terms of performance management, the Group will develop a more scientific performance system to achieve a sound appraisal system, such as achieving a thorough assessment-related systems, improved assessment process, extensive application of assessment results, and effective measure to ensure the implementation of assessments. In addition, the Group will also apply its strategies and ideologies in performance management to corporate culture and human resources management so as to maximize the guiding and encouragement role of performance appraisal, and to further help employees and the Group to grow together.

FINANCIAL REVIEW

Revenue

Revenue increased by 24.6% from HK$2,148.5 million for FY2018 to HK$2,676.1 million for FY2019, mainly contributed by Shanxi Project amounted to HK$468.5 million (FY2018: HK$541.9 million) and Boxin Project amounted to HK$447.1 million, which was acquired in May 2019.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$224.5 million for FY2019 which increased by HK$26.1 million from HK$198.4 million for FY2018, which was mainly due to increase in gross profit arising from refuelling stations and city gas business of Jilin and Shanxi projects.

Segment profit decreased by 15.8% from HK$563.6 million for FY2018 to HK$474.6 million for FY2019, which was mainly due to the absence of One-off Gains in FY2019, which included the gain arising from acquisition of an associate of HK$198.0 million for FY2018.

Earnings before Interests, Tax, Depreciation and Amortisation

EBITDA decreased from HK$642.6 million for FY2018 to HK$480.9 million for FY2019, as there are no One-off Gains in FY2019.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$100.4 million for FY2018 to HK$156.8 million for FY2019, which is mainly due to the increase in government grants by HK$78.7 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 16.0% from HK$284.8 million for FY2018 to HK$330.4 million for FY2019. It was mainly due to the increase in (i) the transaction cost of acquisition of subsidiaries by HK$32.6 million and (ii) bond commission by HK$28.1 million.

(b) Other expenses

Other expenses increased by 112.2% from HK$10.7 million for FY2018 to HK$22.7 million for FY2019 which was mainly due to the increased bank charges by HK$5.0 million and legal and professional fees by HK$1.8 million.

(c) Finance costs

Finance costs increased from HK$241.8 million for FY2018 to HK$244.2 million for FY2019 which was mainly due to the combined effect of increase in interest on bank and other borrowings of HK$36.4 million and decrease in interest for convertible bond of HK$34.0 million.

(d) Income tax (expense)/credit

Income tax (expense)/credit was calculated based on the certain tax rate on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for FY2018 and FY2019. Regional tax rates as details in note 12.

Income tax expenses of HK$23.2 million for FY2019 represented the current taxation arising from the PRC subsidiaries of HK$41.2 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) (Loss)/profit attributable to the owners of the Company

The Group's loss for the year attributable to the owners of the Company arrived at HK$10.9 million for FY2019, representing a decrease by HK$271.6 million from FY2018.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, financial liabilities at amortised cost, convertible bonds, bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK$542.3 million as at 31 December 2019 (31 December 2018: HK$281.6 million), an increase of 92.6% from 31 December 2018.

The Group had total borrowings of HK$3,156.2 million as at 31 December 2019 (2018: HK$2,277.4 million). The Group's leverage ratio, which is total borrowings divided by the total assets was 36.1% (2018: 27.7%).

The Group's non-current assets increased to HK$6,488.8 million (31 December 2018: HK$6,338.9 million), primarily due to the increase in goodwill of HK$335.7 million.

As at 31 December 2019, the Group's current assets of HK$2,262.8 million (31 December 2018: HK$1,889.4 million), mainly comprised of cash and bank balances of HK$542.3 million (31 December 2018: HK$281.6 million); trade and other receivables of HK$1,330.0 million (31 December 2018: HK$1,154.9 million); financial assets at fair value through profit or loss of HK$220.2 million (31 December 2018: HK$220.9 million); inventory of HK$54.4 million (31 December 2018: HK$57.0 million); contract assets of HK$46.6 million (31 December 2018: HK$93.0) amounts due from joint ventures of HK$38.0 million (31 December 2018: HK$37.6 million); and amounts due from associates of HK$31.3 million (31 December 2018: HK$30.7 million).

As at 31 December 2019, the Group's current liabilities of HK$3,310.9 million (31 December 2018: HK$1,789.4 million), mainly comprised of bank and other borrowings of HK$2,167.4 million (31 December 2018: HK$925.2 million); convertible bonds of HK$373.4 million (31 December 2018: HK$331.9 million); trade and other payables of HK$560.8 million (31 December 2018: HK$254.0 million); contract liabilities of HK$173.7 million (31 December 2018: HK$269.7); and lease liabilities of HK$35.6 million (31 December 2018: nil).

As at 31 December 2019, the net current liabilities of the Group amounted to HK$1,048.1 million (31 December 2018: net current assets amounted to HK$100.0 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.68 as at 31 December 2019 (31 December 2018: 1.06). During the year ended 31 December 2019, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2019, there were 1,008 (2018: 944) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Group's natural gas projects are mainly in China. Since late January 2020, travel restrictions and other public health measures including the extension of Chinese New Year holiday and quarantine requirement of travelers were imposed in various areas in China in an attempt to contain the novel Coronavirus epidemic (the "Epidemic"), as a result of which certain staff of the Group were restricted from traveling or otherwise returning to work after holiday. Due to the inability to conduct field works in China by the Company's auditor and other limitations caused by the Epidemic and the public health measures, the audit process for the annual results of the Group for the year ended 31 December 2019 has been delayed. The unaudited annual results contained herein have not yet been agreed with the Company's auditor, and are subject to possible adjustments.

The Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein upon completion of the audit process.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

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. Mr. Lim Siang Kai is the chairman of Audit Committee. The audit committee has reviewed the accounting principles and standards adopted by the Group and has discussed and reviewed the risk management and internal control and reporting matters.

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

During the year ended 31 December 2019, 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 2019.

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

Code provision E.1.2

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 12 June 2019 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 2019.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

This unaudited results announcement is published on the websites of SEHK (www.hkexnews.hk) and the Company (www.bgbluesky.com). Following the business operations resume gradually in China, the Company expects that its auditor can perform site visit to conduct field works in China and the audit process can be completed by early May 2020. A notice convening the annual general meeting of the Company will be despatched to the shareholders of the Company together with the 2019 Annual Report before mid May 2020 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, 27 March 2020

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