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# BEIJING GAS BLUE SKY HOLDINGS LIMITED

## 北京燃氣藍天控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 6828)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### HIGHLIGHTS

- The Group reported revenue of HK\$1,607.2 million for FY2022 (FY2021: HK\$1,728.0 million), representing a decrease of 7.0% as compared to the corresponding period of FY2021. The Group’s total gross profit was HK\$88.3 million for FY2022 (FY2021: HK\$119.3 million), representing a decrease of 26.0% as compared to the corresponding period of FY2021. The Group’s gross profit margin decreased from 6.9% for FY2021 to 5.5% for FY2022.
- Profit for FY2022 of the Group was HK\$11.6 million (loss for FY2021: HK\$278.6 million), representing a turnaround as compared to the corresponding period of FY2021. Profit attributable to the shareholders of the Company was HK\$18.6 million (loss for FY2021: HK\$275.4 million), representing a turnaround as compared to the corresponding period of FY2021. The turnaround from loss to profit was mainly due to significant decreases in two non-recurring items in FY2022: (i) impairment of financial assets, net; and (ii) impairment of non-financial assets, net.
- EBITDA amounted to HK\$234.3 million in FY2022 (loss for FY2021: HK\$34.0 million), representing a turnaround as compared to the corresponding period of FY2021.
- Basic and diluted earnings per share for FY2022 were HK0.14 cents (basic and diluted loss per share for FY2021: HK2.12 cents).
- The Board did not declare final dividend for FY2022 (FY2021: Nil).

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Gas Blue Sky Holdings Limited (the “**Company**” or “**Beijing Gas Blue Sky**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (“**FY2022**” or “**the Year**”) together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”) as follows.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	4	<b>1,607,151</b>	1,728,019
Cost of sales		<u>(1,518,890)</u>	<u>(1,608,675)</u>
<b>Gross profit</b>		<b>88,261</b>	119,344
Other income and gains, net	6	<b>47,620</b>	34,326
Administrative expenses		<b>(177,145)</b>	(218,444)
Reversal of impairment/(impairment) of financial assets, net	8	<b>36,530</b>	(251,118)
Impairment of non-financial assets, net	8	<b>(8,000)</b>	(45,746)
Other expenses, net		<b>(69,611)</b>	(124,869)
Finance costs	7	<b>(133,940)</b>	(157,840)
Share of profits and losses of:			
Joint ventures		<b>(4,298)</b>	–
Associates		<b>242,904</b>	374,289
<b>PROFIT/(LOSS) BEFORE TAX</b>	8	<b>22,321</b>	(270,058)
Income tax	9	<b>(10,737)</b>	(8,499)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>11,584</b>	(278,557)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(52,009)</b>	5,761
Share of other comprehensive income/(loss) of joint ventures and associates		<b>(153,166)</b>	63,067
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX</b>		<b>(205,175)</b>	68,828
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(193,591)</b>	(209,729)

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

Year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>PROFIT/(LOSS) FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>18,645</b>	(275,400)
Non-controlling interests		<b>(7,061)</b>	(3,157)
		<u><b>11,584</b></u>	<u>(278,557)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Shareholders of the Company		<b>(177,678)</b>	(208,725)
Non-controlling interests		<b>(15,913)</b>	(1,004)
		<u><b>(193,591)</b></u>	<u>(209,729)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
Basic and diluted (HK cents)	11	<u><b>0.14</b></u>	<u>(2.12)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		627,733	506,779
Investment properties		73,415	44,757
Right-of-use assets		47,756	52,934
Goodwill		777,044	597,983
Operating rights		409,565	70,705
Investments in joint ventures		24,719	19,522
Investments in associates		1,893,268	2,080,006
Deposits paid for acquisition of subsidiaries		–	283,464
Prepayments, deposits and other receivables		2,027	31,361
Equity investments at fair value through other comprehensive income		474	707
		<u>3,856,001</u>	<u>3,688,218</u>
<b>CURRENT ASSETS</b>			
Inventories		20,255	15,263
Trade receivables	12	111,821	160,722
Contract assets		42,968	25,965
Prepayments, deposits and other receivables		519,930	506,221
Due from joint ventures		79,171	69,989
Due from associates		7,458	1,985
Due from related parties		11,827	–
Financial assets at fair value through profit or loss		127	17,721
Income tax recoverable		1,041	–
Restricted cash and pledged deposits		16,051	519,108
Cash and cash equivalents		554,062	230,945
		<u>1,364,711</u>	<u>1,547,919</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	131,039	294,374
Other payables and accruals		460,771	418,351
Due to joint ventures		63,837	70,152
Due to associates		–	1,481
Income tax payable		61,715	53,636
Bank and other borrowings		1,700,276	3,486,413
Lease liabilities		5,931	9,324
Provision for litigations		43,987	79,673
		<u>2,467,556</u>	<u>4,413,404</u>
<b>Total current liabilities</b>		<b>2,467,556</b>	<b>4,413,404</b>
<b>NET CURRENT LIABILITIES</b>		<b>(1,102,845)</b>	<b>(2,865,485)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,753,156</b>	<b>822,733</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		770,512	93,324
Convertible bond		236,263	–
Lease liabilities		9,116	10,924
Deferred tax liabilities		108,090	17,502
		<u>1,123,981</u>	<u>121,750</u>
<b>Total non-current liabilities</b>		<b>1,123,981</b>	<b>121,750</b>
<b>NET ASSETS</b>		<b>1,629,175</b>	<b>700,983</b>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company	14		
Issued capital		1,250,486	714,236
Reserves		106,168	(109,392)
		<u>1,356,654</u>	<u>604,844</u>
Non-controlling interests		272,521	96,139
		<u>1,629,175</u>	<u>700,983</u>
<b>TOTAL EQUITY</b>		<b>1,629,175</b>	<b>700,983</b>

## NOTES

### 1. CORPORATE AND GROUP INFORMATION

Beijing Gas Blue Sky Holdings Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and trading of which on the Stock Exchange has been resumed since 25 July 2022. 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 3402-4, 34/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, respectively.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in:

- development and operation of city gas projects, including sale of natural gas to residential, industrial and commercial users through pipelines, provision of related value-added services, such as repair and maintenance services and pipeline construction services;
- direct liquefied natural gas (“**LNG**”) supply to industrial end users;
- trading and distribution of compressed natural gas (“**CNG**”), LNG, fuel oil and other related oil by-products as a wholesaler to industrial and commercial users; and
- operation of CNG and LNG refueling stations for vehicles.

At 31 December 2022, the immediate holding company of the Company is Beijing Gas Company Limited (“**Beijing Gas HK**”), which is incorporated in Hong Kong with limited liability and, in the opinion of the directors, the ultimate holding company is 北京控股集團有限公司 (“**Beijing Enterprises Group**”), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (the “**Beijing Municipal Government**”).

#### 2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of approximately HK\$1.1 billion as at 31 December 2022, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern after taking into account, inter alia, the historical operating performance of the Group and the following:

- (i) a syndicated loan of HK\$1.013 billion was drawn down by the Group in January 2023 pursuant to a facility agreement entered into between the Company and a group of banks. The syndicated loan will be repayable in one year after drawdown. The Company has two extension options to extend the maturity date: (a) extension of additional 12 months, with 10% and 90% of the facility amount to be repaid after 12 months and 24 months of the drawdown date; and (b) further extension of additional 12 months after the first extension, with 10%, 10% and 80% of the facility amount to be repaid after 12 months, 24 months and 36 months of the drawdown date;
- (ii) the Group obtained an offer from a bank for the provision of a revolving loan facility of HK\$300 million to the Company in March 2023;
- (iii) the Group obtained a notice from a bank in March 2023 for its agreement to extend the maturity date of a revolving loan of HK\$100 million, which will mature in June 2023, for another one year should there be no material adverse event relating to the Group; and
- (iv) continuing financial support from the Company’s holding companies.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

## 2.2 BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollar, which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in 2018 without significantly changing its requirements. The amendments also add to IFRS 3 *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provision, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sales of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, Illustrative Examples accompanying IFRS 16 *Leases*, and IAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:

IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group had applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.



#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

- (a) City gas, pipeline construction, value-added services and others – sale of natural gas to residential, industrial and commercial users through pipelines, provision of value-added services such as repair and maintenance services, pipeline construction services and others. Share of results of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment
- (b) Direct supply to industrial users – direct LNG supply to industrial users through direct supply facilities
- (c) Trading and distribution of natural gas – trading and distributing of CNG, LNG, fuel oil and other related oil by products as a wholesaler to industrial users
- (d) Natural gas refueling stations – operation of CNG and LNG refueling stations for vehicles

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the year attributable to shareholders of the Company. The profit/(loss) for the year attributable to shareholders of the Company is measured consistently with the Group's loss attributable to shareholders of the Company except that loss on disposal of subsidiaries, finance costs, impairment/(reversal of impairment) of unallocated assets, as well as head office and corporate income and expenses are excluded from such measurement.

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment:

#### Year ended 31 December 2022

	City gas, pipeline construction, value-added services and others HK\$'000	Direct supply to industrial users HK\$'000	Trading and distribution of natural gas HK\$'000	Natural gas refueling stations HK\$'000	Total HK\$'000
External segment revenue	<u>590,268</u>	<u>45,388</u>	<u>927,354</u>	<u>44,141</u>	<u>1,607,151</u>
Segment profit/(loss)	<u>206,360</u>	<u>(9,869)</u>	<u>(28,354)</u>	<u>(3,626)</u>	<u>164,511</u>
Unallocated other income and gains, net					47,620
Unallocated corporate expenses					(102,678)
Finance costs					(133,940)
Reversal of impairment of unallocated assets					46,808
Profit before tax					<u>22,321</u>

Year ended 31 December 2021

	City gas, pipeline construction, value-added services and others HK\$'000	Direct supply to industrial users HK\$'000	Trading and distribution of natural gas HK\$'000	Natural gas refueling stations HK\$'000	Total HK\$'000
External segment revenue	<u>602,066</u>	<u>494,708</u>	<u>583,415</u>	<u>47,830</u>	<u>1,728,019</u>
Segment profit/(loss)	<u>317,455</u>	<u>(1,008)</u>	<u>(25,718)</u>	<u>(6,609)</u>	<u>284,120</u>
Unallocated other income and gains, net					34,326
Unallocated corporate expenses					(164,074)
Finance costs					(157,840)
Impairment of unallocated assets					(266,590)
Loss before tax					<u>(270,058)</u>

### Geographical information

No geographical information is presented as more than 90% of the revenue during each of the years ended 31 December 2022 and 2021 were derived from Mainland China and more than 90% of the non-current assets of the Group (other than financial assets and deferred tax assets) as at 31 December 2022 and 2021 were located in the PRC.

### Information about major customers

No single external customer contributed 10% or more of the Group's revenue during each of the years ended 31 December 2022 and 2021.

## 5. REVENUE

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

	2022 HK\$'000	2021 HK\$'000
City gas, pipeline construction, value-added services and others	<b>590,268</b>	602,066
Direct supply to industrial users	<b>45,388</b>	494,708
Trading and distribution of natural gas	<b>927,354</b>	583,415
Natural gas refueling stations	<b>44,141</b>	47,830
	<u><b>1,607,151</b></u>	<u>1,728,019</u>

## 6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net for the year is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Other income</b>		
Bank interest income	1,315	11,315
Rental income	5,264	–
Government subsidies and grants	2,785	1,189
Sundry income	19,629	22,930
	<u>28,993</u>	<u>35,434</u>
<b>Gains, net</b>		
Changes in fair value of financial assets at fair value through profit or loss	–	(813)
Foreign exchange difference, net	–	(295)
Gain on derecognition of financial assets at amortised cost <sup>#</sup>	18,627	–
	<u>18,627</u>	<u>(1,108)</u>
Other income and gains, net	<u>47,620</u>	<u>34,326</u>

<sup>#</sup> During the year, in lieu of cash settlement, a debtor settled an overdue loan receivable amounting to approximately HK\$11 million by way of a property located in Beijing with a then fair value of approximately HK\$30 million. A gain on derecognition of the loan receivable amounting to approximately HK\$19 million was recognised in profit or loss during the year.

## 7. FINANCE COSTS

An analysis of finance costs for the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest expense on bank borrowings	91,809	81,703
Interest expense on corporate bonds	35,831	68,608
Interest expense on other loans	5,377	6,542
Interest expense on lease liabilities	923	987
	<u>133,940</u>	<u>157,840</u>

## 8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax for the year was arrived at after charging/(crediting):

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	1,439,038	1,524,674
Cost of services provided	15,770	20,173
Depreciation of property, plant and equipment	58,445	58,188
Depreciation of right-of-use assets	11,120	14,795
Depreciation of investment properties	2,824	–
Amortisation of operating rights*	5,637	5,239
Lease payments not included in the measurement of lease liabilities	845	1,750
Impairment/(reversal of impairment) of financial assets, net:		
Deposits paid for acquisition of subsidiaries	–	145,739
Trade receivables	(5,051)	26,009
Prepayments, deposits and other receivables	(31,479)	79,370
	<u>(36,530)</u>	<u>251,118</u>
Impairment/(reversal of impairment) of non-financial assets, net:		
Property, plant and equipment	8,000	11,313
Goodwill	–	27,805
Operating rights	–	6,894
Investments in associates	–	(266)
	<u>8,000</u>	<u>45,746</u>
Provision/(reversal of provision) for litigations <sup>&amp;</sup>	<u>(30,571)</u>	<u>79,673</u>

\* The amortisation of operating rights for the year is included in “Cost of sales” on the face of the consolidated statement of profit or loss and other comprehensive income.

<sup>&</sup> Provision/(reversal of provision) for litigations is included in “Other expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.

## 9. INCOME TAX

	2022 HK\$'000	2021 HK\$'000
Current – Mainland China		
Charge for the year	12,417	11,010
Underprovision in prior years	–	520
Deferred	(1,680)	(3,031)
Total tax expense for the year	<u>10,737</u>	<u>8,499</u>

No provision for Hong Kong profits tax has been made for the year ended 31 December 2022 as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil).

The income tax provisions in respect of operations in the PRC are calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

## 10. DIVIDEND

The board of directors of the Company did not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

## 11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share (2021: loss per share) amount was based on the profit for the year attributable to shareholders of the Company of HK\$18,645,000 (2021: loss of HK\$275,400,000), and the weighted average number of ordinary shares of 13,039,539,373 (2021: 12,986,114,715) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for each of the years ended 31 December 2022 and 2021 for a dilution as (i) the impact of the convertible bond outstanding during the year ended 31 December 2022 is immaterial; and (ii) the share options outstanding during the year ended 31 December 2021 had an anti-dilutive effect on the basic loss per share amount presented for that year.

## 12. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	286,393	382,264
Impairment	(174,572)	(221,542)
	<u>111,821</u>	<u>160,722</u>

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, was as follows:

	2022 HK\$'000	2021 HK\$'000
Unbilled portion and billed within 3 months	70,894	100,912
Billed:		
4 to 6 months	8,898	23,378
7 to 12 months	3,958	17,115
Over 1 year	28,071	19,317
	<u>111,821</u>	<u>160,722</u>

## 13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, was as follows:

	2022 HK\$'000	2021 HK\$'000
Billed:		
Within 3 months	24,780	136,226
4 to 6 months	19,362	8,780
7 to 12 months	9,553	29,477
Over 1 year	53,748	96,743
	<u>107,443</u>	<u>271,226</u>
Unbilled	23,596	23,148
	<u>131,039</u>	<u>294,374</u>

## 14. SHARE CAPITAL

	2022 HK\$'000	2021 HK\$'000
<b>Authorised:</b>		
91,000,000,000 ordinary shares of HK\$0.055 each	<u>5,005,000</u>	<u>5,005,000</u>
<b>Issued and fully paid:</b>		
22,736,114,715 (2021: 12,986,114,715) ordinary shares of HK\$0.055 each	<u>1,250,486</u>	<u>714,236</u>

A summary of movements in the Company's issued capital and share premium account are as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2021, 31 December 2021 and 1 January 2022	12,986,114,715	714,236	4,270,611	4,984,847
Issue of new shares for cash (note (a))	6,250,000,000	343,750	156,250	500,000
Issue of new shares as consideration for the acquisition of subsidiaries (note (b))	<u>3,500,000,000</u>	<u>192,500</u>	<u>168,000</u>	<u>360,500</u>
At 31 December 2022	<u>22,736,114,715</u>	<u>1,250,486</u>	<u>4,594,861</u>	<u>5,845,347</u>

Notes:

- (a) Pursuant to a share subscription agreement entered into between the Company and Beijing Gas HK, a then major shareholder of the Company, on 26 September 2022, 6,250,000,000 new ordinary shares of the Company were allotted and issued to Beijing Gas HK on 30 December 2022 at a subscription price of HK\$0.08 per ordinary share, for a total cash consideration of HK\$500,000,000. Accordingly, the issued capital and the share premium account of the Company were increased by HK\$343,750,000 and HK\$156,250,000, respectively.

The share subscription by Beijing Gas HK constitutes a connected transaction under Chapter 14A of the Listing Rules and further details of which are set out in the Company's circular dated 31 October 2022.

- (b) Pursuant to an acquisition agreement (the "**Tengxian Acquisition Agreement**") entered into between the Company and Beijing Gas Group Company Limited ("**Beijing Gas Group**", a holding company of Beijing Gas HK) on 26 September 2022, the Company issued a total of 3,500,000,000 ordinary shares of the Company as consideration shares to Beijing Gas Group's designated wholly-owned subsidiary, Beijing Gas HK, on 30 December 2022 for the acquisition of 100% equity interest in Sapphire Gas Company Limited. The acquisition date fair value of these consideration shares, as determined based on the quoted market price of the Company's shares, amounted to HK\$360,500,000 and accordingly, the issued capital and the share premium account of the Company were increased by HK\$192,500,000 and HK\$168,000,000, respectively.

The acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules and further details of the acquisition are set out in the Company's circular dated 31 October 2022.

## 15. EVENTS AFTER THE REPORTING PERIOD

On 3 January 2023, the Company received a statement of claim from a court in Mainland China regarding certain claims against the Company by a partner (the “**Claimant**”) of a partnership fund (the “**Fund**”) in which the Group has 49.5% equity interest.

The claims by the Claimant set out in the statement of claim is summarised as follows:

- (a) the Company should acquire 40% equity interest in an entity (the “**Target Company**”) held by the Fund at a consideration of RMB25,088,000 (the “**Consideration**”) in accordance with a letter of intent issued by the Company to the Claimant and the Fund in July 2019;
- (b) the Company should pay to the Claimant RMB3,694,000, being damages calculated based on the internal rate of return of 12% of the Fund on the Consideration; and
- (c) the Company should pay all litigation costs in connection with the litigation.

The Company is considering not to proceed with the acquisition of the 40% equity interest in the Target Company and therefore has engaged an external PRC lawyer to handle the litigation. The directors of the Company expect that the Company will rigorously defend the litigation to protect its legitimate interests.

The litigation has not been concluded as at the date of approval of this announcement.

In respect of the financial impact of this litigation on the financial statements, the directors, based on the advice from the external PRC lawyer, believe that the Company has a valid defence against the claims and, accordingly, the Group has not provided for any amount of claims arising from the litigation nor included any capital commitment in the financial statements in respect of the acquisition of the 40% equity interest in the Target Company.

## 16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform to the current year’s presentation.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is the extract of the draft Independent Auditor’s Report from the auditor of the Company, Ernst & Young, on the Group’s draft consolidated financial statements:

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Qualified opinion**

#### **Corresponding figures**

##### **1. Related party transactions**

As set out in our auditor’s report dated 19 April 2022 on the Group’s consolidated financial statements for the year ended 31 December 2021, we have previously modified our opinion due to a limitation on the scope of our audit in respect of the Group’s related party transactions as the Group did not have a clear internal control mechanism in respect of related party transactions prior to December 2021.

Given that the internal control policies were implemented by the Group in December 2021, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions which occurred prior to the implementation of the internal control policies. Consequently, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements for the year ended 31 December 2021, and whether there were any further related party transactions that would require disclosure.



2. Impairment of a deposit and provision for litigations during the year ended 31 December 2021

As disclosed in notes 22(a)(i) and 34 to the financial statements, the Group recognised in profit or loss for the year ended 31 December 2021 (i) an impairment of HK\$90 million against a deposit paid for the acquisition of 51% equity interest in an entity; and (ii) a provision for potential liabilities of HK\$79.7 million in relation to litigation matters. As set out in our auditor's report dated 19 April 2022 on the Group's consolidated financial statements for the year ended 31 December 2021, we have been unable to obtain sufficient and appropriate audit evidence to ascertain whether any of the impairment against the deposit of HK\$90 million and the provision for the litigations of HK\$79.7 million recognised by the Group in profit or loss for the year ended 31 December 2021 should have been recognised in profit or loss for the year ended 31 December 2020 or prior years. Therefore, we have been unable to determine whether it would be necessary to make adjustments to any of these amounts recognised by the Group in profit or loss for the year ended 31 December 2021.

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 is therefore modified because of the possible effect of the above matters on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

According to the National Bureau of Statistics and the Customs of the People's Republic of China (the "PRC"), China produced 217.8 billion cubic meters ("m<sup>3</sup>") of natural gas in 2022, representing a year-on-year increase of 6.4%. Imported natural gas amounted to 109.25 million tons in 2022, representing a year-on-year decrease of 9.9%.

As China's "carbon peaking and carbon neutrality" top-level design framework crystallized, the relevant departments formulated implementation plans and supporting policies for different fields and industries, including carbon peak implementation plans for energy, industry, transportation, urban and rural construction, building materials and other sub-sectors and sub-industry. Technology support, energy security, carbon sink capacity, fiscal and financial price policies, standard measurement system, inspection and assessment and other security plans were also released. The provinces (regions and municipalities) have also formulated local implementation plans for carbon peaking and carbon neutrality. In July 2022, the Carbon Peak and Carbon Neutral Work Leading Group Office (碳達峰碳中和工作領導小組) convened a meeting of liaison officers, during which it comprehensively summarized the work progress in the first half of 2022 and stated that China's "1+N" policy system for carbon peaking and carbon neutrality had been basically established, the key tasks in various fields were advancing in an orderly manner, and the carbon peaking and carbon neutrality works were off to a good start. Natural gas is one of the key low-carbon and clean energy sources to achieve the goals of "carbon peaking" and "carbon neutrality". It is the primary source of growth in China's energy structure adjustment and the main force of low-carbon transformation. In addition to promoting the natural gas business in an orderly manner, the Group will also actively seize market opportunities under the carbon peaking and carbon neutrality goals and accelerate the development of renewable energy and clean energy.

### BUSINESS REVIEW

In FY2022, affected by the spread of the epidemic in many areas, the Group faced and tackled various challenges. During FY2022, the Group's revenue was HK\$1,607.2 million (FY2021: HK\$1,728.0 million), representing a decrease of 7.0% as compared to FY2021, which was primarily due to the combined effect of (i) the increase in revenue from trading and distribution of LNG and CNG business; and (ii) the decline in revenue from direct supply to industrial users business. The Group's gross profit decreased from HK\$119.3 million for FY2021 to HK\$88.3 million for FY2022. The Group's gross profit margin was 5.5% for FY2022 (FY2021: 6.9%), also representing a decrease as compared to FY2021, which was primarily due to the decrease in connection construction services projects in FY2022. For FY2022, the Group's profits was HK\$11.6 million (loss for FY2021: HK\$278.6 million); the profit attributable to the shareholders of the Company was HK\$18.6 million (loss for FY2021: HK\$275.4 million). The turnaround from loss to profit was mainly due to significant decreases in two non-recurring items in FY2022: (i) provision for impairment on financial assets; and (ii) impairment on non-financial assets, net.

The Company also expects that after a large amount of asset impairment provision being recognized by the Group in the two financial years ended 31 December 2020 and 31 December 2021, the Company's business structure will continue to be optimized, and there will be a further improvement on the Group's sustainable development, which is constructive to the Group for becoming a future-oriented integrated clean energy provider. The Group will continue to strive to maximize its profits and create value for the Shareholders in a long-term and sustainable manner.

As at 31 December 2022, the Group's natural gas projects covered a total of 13 provinces, municipalities and autonomous regions in the PRC, details of which are set forth below:

Location	LNG/CNG refueling stations	City gas	Direct supply	Trading and distributions	Subtotal	LNG throughput		Subtotal	Total
	Approximate sales volume  (m <sup>3</sup> )	Approximate sales volume  (m <sup>3</sup> )	Approximate sales volume  (m <sup>3</sup> )	Approximate sales volume  (m <sup>3</sup> )	Approximate sales volume  (m <sup>3</sup> )	Approximate gasification volume  (m <sup>3</sup> )	Approximate unloading volume  (m <sup>3</sup> )	Approximate volume throughput  (m <sup>3</sup> )	Approximate volume (Note 1)  (m <sup>3</sup> )
Subsidiaries:									
Zhejiang Province	-	-	-	196,432,600	196,432,600	-	-	-	196,432,600
Shanxi Province	2,740,000	92,610,000	-	-	95,350,000	-	-	-	95,350,000
Jilin Province	2,213,102	37,330,423	-	-	39,543,525	-	-	-	39,543,525
Anhui Province	-	-	4,918,200	16,984,800	21,903,000	-	-	-	21,903,000
Hainan Province	3,074,069	-	3,986,017	3,492,496	10,552,582	-	-	-	10,552,582
Guangdong Province	-	-	-	6,440,000	6,440,000	-	-	-	6,440,000
Liaoning Province	-	4,590,000	-	-	4,590,000	-	-	-	4,590,000
Guangxi Zhuang Autonomous Region (Note 2)	-	-	-	3,318,000	3,318,000	-	-	-	3,318,000
Guizhou Province	446,700	-	-	-	446,700	-	-	-	446,700
Shandong Province	-	-	-	237,720	237,720	-	-	-	237,720
Beijing Municipality	-	-	-	142,800	142,800	-	-	-	142,800
Shanghai Municipality	-	-	-	93,800	93,800	-	-	-	93,800
Subtotal	<u>8,473,871</u>	<u>134,530,423</u>	<u>8,904,217</u>	<u>227,142,216</u>	<u>379,050,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,050,727</u>
Associates:									
Hebei Province	-	-	-	-	-	5,415,390,000	306,000,000	5,721,390,000	5,721,390,000
Hainan Province	64,380,005	-	-	-	64,380,005	-	-	-	64,380,005
Subtotal	<u>64,380,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,380,005</u>	<u>5,415,390,000</u>	<u>306,000,000</u>	<u>5,721,390,000</u>	<u>5,785,770,005</u>
Total	<u><u>72,853,876</u></u>	<u><u>134,530,423</u></u>	<u><u>8,904,217</u></u>	<u><u>227,142,216</u></u>	<u><u>443,430,732</u></u>	<u><u>5,415,390,000</u></u>	<u><u>306,000,000</u></u>	<u><u>5,721,390,000</u></u>	<u><u>6,164,820,732</u></u>

Note 1: Representing the project sales volume of the projects from (i) the date of completion of the acquisition by the Group; (ii) the date of commencement of operation; and (iii) 1 January 2022 (whichever is later) to the end of the reporting period. Therefore, the above sales volume does not reflect the operating performance of the project for the whole year.

Note 2: The Company completed the acquisition of the city gas project in Teng County, Guangxi on 30 December 2022. Further details are already set out in the Company's announcement dated 30 December 2022.

## Financial highlights:

Year ended 31 December	2022 HK\$'000	2021 HK\$'000	Change
Revenue	1,607,151	1,728,019	(7.0%)
Gross profit	88,261	119,344	(26.0%)
Gross profit ratio (in percentage)	5.5%	6.9%	(20.3%)
Profit/(loss) for the year	11,584	(278,557)	N/A
Profit/(loss) attributable to shareholders	18,645	(275,400)	N/A
Basic earnings/(loss) per share	HK0.14 cents	(HK2.12 cents)	N/A
EBITDA	234,287	(33,996)	N/A

31 December	2022 HK\$'000	2021 HK\$'000	Change
Cash and cash equivalents	554,062	230,945	139.9%
Total assets	5,220,712	5,236,137	(0.3%)
Total equity	1,629,175	700,983	132.4%

## Development and Operation of City Gas Business

Under the goal of carbon peaking and carbon neutrality, China's energy structure is gradually changing from high-carbon to low-carbon. The transformation to clean, low-carbon and diversified energy system is also accelerating. Among which, natural gas is becoming China's key fossil energy because of its cleanness and high efficiency. With the implementation of the coal-to-gas policy, the demand for natural gas as a substitute for coal is expected to keep growing. In addition, the transformation of energy consumption structure and the growth of downstream market demand will also promote the steady growth of China's natural gas consumption. Against this background, the business development of the Group will usher in huge market opportunities. With the rapid rebound of China's economy after the epidemic, urbanization in the PRC is expected to increase steadily, and gas market will likely further expand in the future.

During FY2022, the Group had 8 city gas projects mainly located in Shanxi Province and Jilin Province. During the Year, the Group connected gas pipelines for 57,575 new users and the accumulated number of users reached 503,999, of which 57,291 were new residential users and the accumulated number of residential users reached 500,529; the Group secured 284 new industrial and commercial users and the accumulated industrial and commercial users reached 3,470. The volume of natural gas sold to residential users reached approximately 71.2 million cubic meters (FY2021: approximately 67.6 million cubic meters). The natural gas sold to industrial and commercial users reached approximately 63.4 million cubic meters (FY2021: approximately 65.4 million cubic meters), which was mainly due to the impact of the pandemic, a large number of enterprises suspended production intermittently in FY2022, resulting in a significant decrease in demand from industrial and commercial users.

In FY2022, city gas business recorded an income of HK\$590.3 million (FY2021: HK\$602.1 million), which included a connection fee income of HK\$91.9 million (FY2021: HK\$133.7 million), representing a decrease of 31.3% as compared to the corresponding period of FY2021. The decrease in connection fee income was mainly due to lower demand of connection construction services in those city gas projects in FY2022. For income from natural gas sales, it recorded approximately HK\$498.4 million (FY2021: HK\$468.4 million), representing an increase of 6.4% as compared to the corresponding period of FY2021. It was mainly due to the overall increase in the selling price of natural gas sold to industrial and commercial users.

As stated in the Company’s announcement dated 30 December 2022, the Company completed the capital and asset injection plan on 30 December 2022 (the “**Capital and Asset Injection Plan**”). The injected asset is a city gas business operator (the “**Guangxi Project Company**”) located in Teng County, Guangxi Zhuang Autonomous Region, China. The Guangxi Project Company supplies natural gas and provides ancillary services to residential, commercial and industrial users in its administrative area based on a 30-year natural gas concession from 2016. The Guangxi Project Company is expected to benefit from increasing industrial activities in Teng County, especially the development of the ceramics industrial park in that area. Given that the Department of Industry and Information Technology of Guangxi Zhuang Autonomous Region implemented new guidelines in 2021, local ceramic companies are required to complete the conversion of energy source in production from coal to natural gas by the end of 2025, which is expected to lead to an increase in demand for clean energy. Therefore, the asset injection has greatly strengthened the Company’s city gas business portfolio.

### **Trading and Distribution of LNG and CNG Business**

During FY2022, the Group recorded a total trading volume of 227.1 million cubic meters (FY2021: 426.3 million cubic meters) and segment sales amount in trading and distribution business of HK\$927.4 million (FY2021: HK\$583.4 million). The significant increase in segment sales amount was mainly due to the increase in selling price of natural gas. During FY2022, due to intensified geopolitical situation, changes in natural gas supply and demand and price fluctuations continued to affect the stability of global energy supply, inflation and high gas source prices have brought certain pressure on business operations.

Based on the supply and demand situation, the Group adjusted its gas source procurement strategy according to the situation, kept optimizing the source structure, and continued to deepen the cooperation with upstream suppliers. Among which, the Group and its controlling shareholder, Beijing Gas Group Co., Ltd (“**Beijing Gas Group**”) entered into a master agreement for the purchase of LNG with a term from 25 February 2021 to 31 December 2023 (both inclusive). Further details are set out in the Company’s announcement dated 25 February 2021.

During FY2022, Zhejiang Boxin Energy Co., Ltd.\* (浙江博信能源有限公司) (a subsidiary of the Company) and Ningbo Beilun Bochen Energy Trading Co., Ltd.\* (寧波北侖博臣物流有限公司) (a joint venture of the Company) were authorised by the Jiangsu branch of CNOOC Gas and Power Group Co., Limited (中海石油氣電集團有限責任公司) as the first batch of customers for “Green Energy Port” and the first batch of operators for “Green Energy Port” at CNOOC’s Jiangsu Yancheng, which secured the continuous supply of gas and supported further business expansion of the Group in Yangtze River Delta region in the future, demonstrating the entire strategic layout on the LNG industrial chain of Beijing Gas Blue Sky.

### **LNG Receiving Terminal Project**

As at 31 December 2022, the Group owned 29% equity interests in PetroChina Jingtang LNG Co., Ltd. (“**PetroChina Jingtang**”). The LNG receiving terminal of PetroChina Jingtang is the main winter peak loading and supply guarantee station in the Beijing-Tianjin-Hebei region with the largest storage capacity and the strongest peak loading capacity in China. Facilities such as supporting dedicated dock and export pipelines have been constructed and the storage capacity has reached 1.28 million cubic meters, and can supply about 4 billion cubic meters of natural gas to the Beijing-Tianjin-Hebei region annually. At peak times, the gas supply by such facilities to Beijing can account for about 40% of the total consumption in Beijing.

In FY2022, the total throughput volume of Petrochina Jingtang project reached 5,721.4 million cubic meters (FY2021: 6,802.0 million cubic meters), representing a decrease of 15.9% as compared to FY2021, which was mainly because of the increase in natural gas prices which was offset by the decrease in market demand resulting in a decrease in unloading volume.

## OTHER BUSINESSES

During the Year, the Group recorded an income of HK\$45.4 million (FY2021: HK\$494.7 million) from its direct supply to industrial users business, representing a decrease of 90.8% as compared to FY2021, and sold 8.9 million cubic meters (FY2021: 109.5 million cubic meters) of natural gas. For the LNG and CNG refueling station business, the Group recorded gas sales of 8.5 million cubic meters (FY2021: 15.3 million cubic meters) and sales income of HK\$44.1 million (FY2021: HK\$47.8 million), representing a decrease of 7.7% as compared to FY2021. The declines in sales volume of natural gas in the above two businesses were mainly due to the impact of the outbreak of the epidemic in 2022, coupled with the impact of the Group's ongoing adjustments to the above two businesses and their business models.

In February 2022, the National Development and Reform Commission and the National Energy Administration issued the "Opinions on Improving the System, Mechanism, and Policy Measures for Energy Green and Low-Carbon Transformation" (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》), emphasizing the importance of promoting green transformation. In response to the new environmental protection policy of the PRC government, the Group will actively capture market opportunities through organic growth or through acquisitions under appropriate circumstances, accelerate the development of the integrated energy distribution business, improve its comprehensive competitiveness in the natural gas market, and create social value by strengthening risk and compliance control. On 24 March 2023, the Company announced that it was contemplating a possible acquisition of certain equity interests in a company engaged in the energy industry. For further details, please refer to the announcement of the Company dated 24 March 2023.

In addition, while continuing to expand the comprehensive advantages of "gas sources as well as the end-users", the Group will actively grasp the market opportunities under the goal of carbon peaking and carbon neutrality, and accelerate the development of renewable energy and clean energy. In the future, with the support of the controlling shareholder, the Group will consider the development of integrated distributed energy business, accelerate the exploration of business development of hydrogen energy, energy storage, solar photovoltaic and other renewable energy and clean energy, and gradually promote the field of renewable energy. The Group strives to become a future-oriented integrated clean energy provider with high-quality city gas projects and LNG industry chain as its main business.

On 26 September 2022, the Company and Beijing Gas Group agreed to the proposed Capital and Asset Injection Plan involving a term loan facility in an aggregate amount of HK\$700,000,000 made available under the Facility Agreement (the "**Facility**"), the subscription of the Convertible Bond (as defined below) by Beijing Gas HK pursuant to the terms and conditions of the Convertible Bond Subscription Agreement (the "**Convertible Bond Subscription**"), the subscription of 6,250,000,000 new shares by Beijing Gas Group pursuant to the Share Subscription Agreement (the "**Share Subscription**") and the acquisition of Guangxi Project Company by the Company pursuant to the Acquisition Agreement (the "**Acquisition**"). As Beijing Gas Group and Beijing Gas HK are the controlling shareholders of the Company and thus connected persons of the Company under the Listing Rules, the transactions contemplated under the Capital and Asset Injection Plan constituted connected transactions of the Company.

Details of the above connected transactions are set out below:

**(i) Financial assistance from Beijing Gas HK**

**(a) The Facility**

Date:	26 September 2022
Parties:	the Company, as the borrower; and Beijing Gas HK, as the lender
Subject Matter:	Beijing Gas HK provided to the Company the Facility in an aggregate amount of HK\$700 million at HIBOR plus 2% per annum, which is repayable in full on the maturity date (i.e. 31 December 2025).
Security:	The Facility is secured by approximately 20.92% of issued shares of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司) (“ <b>Beijing Gas Jingtang</b> ”), a wholly-owned subsidiary of the Company, as collateral in favour of the lender.

**(b) The Convertible Bond Subscription**

Date:	26 September 2022
Parties:	the Company, as the issuer; and Beijing Gas HK, as the subscriber
Subject Matter:	The Company issued to Beijing Gas HK the convertible bond (the “ <b>Convertible Bond</b> ”) in the principal amount of HK\$300 million due on the third anniversary of the date of issue (as may be agreed to further extend for three months).
Conversion rights:	The bondholder shall have the right to convert all or part of the Convertible Bond into shares of the Company.
Conversion Shares:	Based on the conversion price of HK\$0.118 per conversion Share and assuming full conversion of the Convertible Bond at the conversion price, the Convertible Bond will be convertible into 2,542,372,881 shares of the Company, at any time after the issue date of the Convertible Bond up to its maturity date as described above.
Security:	The Convertible Bond is secured by 8.37% of issued shares of Beijing Gas Jingtang.

## (ii) Share Subscription by Beijing Gas HK Under Specific Mandate

### The Share Subscription

Date:	26 September 2022
Parties:	the Company, as the issuer; and Beijing Gas HK, as the subscriber
Subject Matter:	The Company allotted and issued to Beijing Gas HK 6,250,000,000 subscription shares at the subscription price of HK\$0.08 per subscription share for a total subscription amount of HK\$500 million.

## (iii) The Acquisition

### The Acquisition

Date:	26 September 2022
Parties:	the Company, as the purchaser; and Beijing Gas Group, as the vendor
Subject Matter:	The Company acquired Sapphire Gas Company Limited (the “ <b>Target Company</b> ”) from Beijing Gas Group, which would indirectly own 51% equity interest in the Guangxi Project Company, at a consideration of HK\$280 million, which was settled by the issue and allotment of 3,500,000,000 consideration shares to Beijing Gas Group.

The Capital and Asset Injection Plan was completed in December 2022. For details, please refer to the announcements of the Company dated 26 September 2022 and 30 December 2022; and the circular of the Company dated 31 October 2022.

## FUTURE PROSPECTS

2022 was the year when the 20th National Congress of the Communist Party of China was successfully held, and it is an important year for implementing the “14th Five-Year Plan” and building a modern socialist country in an all-round way. It was also a crucial year for Beijing Gas Blue Sky to realize the resumption of trading on the Stock Exchange, complete the capital and asset injection plan, successfully started a new journey of development, and comprehensively promoted the improvement of the Group’s governance level. The Group will continue to combine the business advantages of its controlling shareholder, Beijing Gas Group, to further improve strategic synergy, talent training, and management improvement, to facilitate the Group’s development to a new level, and to return the shareholders and investors with better performance. As the Tianjin Nangang LNG emergency storage project of the controlling shareholder, Beijing Gas Group, is about to start operation, the Group will have more cooperation opportunities with Beijing Gas Group in LNG trade and distribution in the future.



The Group will take responsibility and move forward with determination, and work hard to catch up with development. 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and it is also the year for Beijing Gas Blue Sky to improve its management capabilities and deepen its corporate governance. Beijing Gas Blue Sky will resolutely implement the Group's strategy with practical actions, rely on the synergistic advantages of the controlling shareholder, and move forward to a new type of gas enterprise; actively develop the layout of the entire industrial chain of urban fuel and LNG to enhance market influence; and continue to explore new energy businesses to become a future-oriented integrated clean energy provider and create greater returns for shareholders. Looking forward to the future, the Company will continue to forge ahead bravely, insist on steady and gradual progress, and will be more determined to create a bright future for the Company on the new journey, continue to advance towards higher quality goals, and make greater contributions to the sustainable development of China's energy industry.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue decreased by 7.0% from HK\$1,728.0 million for FY2021 to HK\$1,607.2 million for FY2022, which was mainly due to the combined effect of (i) the increase in revenue from trading and distribution of LNG and CNG business; and (ii) the decline in revenue from direct supply to industrial users business.

### **Gross profit and segment profit**

The Group recorded gross profit of HK\$88.3 million for FY2022 which decreased by HK\$31.0 million from HK\$119.3 million for FY2021, which was primarily due to the decrease in connection construction services projects in FY2022. Segment profit decreased by 42.1% from HK\$284.1 million for FY2021 to HK\$164.5 million for FY2022, which was mainly due to the decrease in segment profits of city gas, pipeline construction, value-added services and others.

### **Profit/(loss) before tax, finance costs, depreciation and amortisation**

Profit before tax, finance costs, depreciation and amortisation was arrived at HK\$234.3 million for FY2022 (loss for FY2021: HK\$34.0 million), which was mainly due to the significant decreases in two non-recurring items in FY2022: (i) impairment on financial assets, net; and (ii) impairment on non-financial assets, net.

### **Other income and gains, net**

Other income and gains, net achieved HK\$47.6 million (FY2021: HK\$34.3 million) in FY2022, which mainly comprised (i) bank interest income of HK\$1.3 million (FY2021: HK\$11.3 million); (ii) gain on derecognition of financial assets measured at amortised cost of HK\$18.6 million (FY2021: Nil); and (iii) sundry income of HK\$19.6 million (FY2021: HK\$22.9 million).

### **Administrative expenses**

The administrative expenses decreased by 18.9% from HK\$218.4 million for FY2021 to HK\$177.1 million for FY2022. It was mainly attributable to the decreases in legal and professional fee and staff costs as a result of implementing cost reduction and efficiency enhancement by the Group.

## **Other expenses, net**

Other expenses achieved HK\$69.6 million (FY2021: HK\$124.9 million) in FY2022. An one-off item of provision for liabilities of HK\$79.7 million was recognized in FY2021 while there was reversal of provision for litigations in FY2022.

## **Reversal of impairment/(impairment) of financial assets, net and impairment of non-financial assets, net**

The reversal of impairment of financial assets and impairment of non-financial assets recognised were HK\$36.5 million and HK\$8.0 million in FY2022 respectively. Certain non-recurring items relating to impairment of financial assets, net and impairment of non-financial assets, net totaling of HK\$296.9 million were provided in FY2021.

## **Finance costs**

Finance costs decreased from HK\$157.8 million for FY2021 to HK\$133.9 million for FY2022 which was mainly due to the combined effect of (i) the increase in HIBOR for certain bank borrowings in the second half of 2022; and (ii) the decrease in the average balances of corporate bonds and bank borrowings of the Group in FY2022 as compared to FY2021.

## **Income tax**

Income tax expense was calculated at the applicable tax rates on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for FY2021 and FY2022 respectively. Income tax expense of HK\$10.7 million (FY2021: HK\$8.5 million) for FY2022 mainly represented the current taxation arising from the PRC subsidiaries of HK\$12.4 million (FY2021: current taxation of HK\$11.0 million and deferred taxation of HK\$3.0 million).

## **Profit/(loss) attributable to the shareholders of the Company**

The Group's profit for the year attributable to the shareholders of the Company amounted to HK\$18.6 million for FY2022 (loss for FY2021: HK\$275.4 million), representing a turnaround from loss to profit as compared FY2021. The turnaround was mainly due to significant decreases in FY2022 in two items: (i) impairment of financial assets, net; and (ii) impairment of non-financial assets, net.

## **CAPITAL STRUCTURE AND FINANCIAL RESOURCES**

The Group financed its operations with shareholders' equity, bank and other borrowings and convertible bond.

The Group maintained cash and cash equivalents amounting to HK\$554.1 million as at 31 December 2022 (31 December 2021: HK\$230.9 million), representing an increase of 140.0% from 31 December 2021. In addition, the Group had restricted cash and pledged deposits of HK\$16.1 million as at 31 December 2022 (31 December 2021: HK\$519.1 million).

The Group had total borrowings of HK\$2,707.1 million as at 31 December 2022 (31 December 2021: HK\$3,579.7 million). The Group's leverage ratio, which is total borrowings divided by the total assets, was 51.9% (31 December 2021: 68.4%).

The Group's non-current assets increased to HK\$3,856.0 million (31 December 2021: HK\$3,688.2 million), primarily due to the increase in (i) property, plant and equipment by HK\$121.0 million; (ii) investment properties by HK\$28.7 million; (iii) operating rights by HK\$338.9 million; (iv) goodwill by HK\$179.1 million and (v) investment in joint ventures by HK\$5.2 million, and partially offset by the decrease in (i) right-of-use assets by HK\$5.2 million; (ii) deposits paid for acquisition of subsidiaries by HK\$283.5 million; (iii) investments in associates by HK\$186.7 million; and (iv) prepayment, deposits and other receivables by HK\$29.3 million.

As at 31 December 2022, the Group's current assets amounted to HK\$1,364.7 million (31 December 2021: HK\$1,547.9 million), comprised trade receivables HK\$111.8 million (31 December 2021: HK\$160.7 million); cash and cash equivalents of HK\$554.1 million (31 December 2021: HK\$230.9 million); restricted cash and pledged deposits of HK\$16.1 million (31 December 2021: HK\$519.1 million); due from joint ventures of HK\$79.2 million (31 December 2021: HK\$70.0 million); inventories of HK\$20.3 million (31 December 2021: HK\$15.3 million); contract assets of HK\$43.0 million (31 December 2021: HK\$26.0 million); financial assets at fair value through profit or loss of HK\$0.1 million (31 December 2021: HK\$17.7 million); prepayments, deposits and other receivables of HK\$519.9 million (31 December 2021: HK\$506.2 million); due from associates of HK\$7.5 million (31 December 2021: HK\$2.0 million); due from related parties of HK\$11.8 million (31 December 2021: Nil) and income tax recoverable of HK\$1.0 million (31 December 2021: Nil).

As at 31 December 2022, the Group's current liabilities amounted to HK\$2,467.6 million (31 December 2021: HK\$4,413.4 million), comprised of bank and other borrowings of HK\$1,700.3 million (31 December 2021: HK\$3,486.4 million); other payables and accruals of HK\$460.8 million (31 December 2021: HK\$418.4 million); trade and bills payables of HK\$131.0 million (31 December 2021: HK\$294.4 million); provision for litigations of HK\$44.0 million (31 December 2021: HK\$79.7 million); lease liabilities of HK\$5.9 million (31 December 2021: HK\$9.3 million); income tax payable of HK\$61.7 million (31 December 2021: HK\$53.6 million); due to joint ventures of HK\$63.8 million (31 December 2021: HK\$70.2 million) and due to associates of Nil (31 December 2021: HK\$1.5 million).

As at 31 December 2022, the net current liabilities of the Group amounted to HK\$1,102.8 million (31 December 2021: HK\$2,865.5 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.55 as at 31 December 2022 (31 December 2021: 0.35).

The Group's net liability ratio (expressed as net borrowings, including bank and other borrowings less cash and bank balances, divided by total equity), was 132.2% as at 31 December 2022 (31 December 2021: 477.7%).

During the year ended 31 December 2022, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

## USE OF PROCEEDS FROM THE CAPITAL AND ASSET INJECTION PLAN

Up to 31 December 2022, the Group utilised the net proceeds raised from the Capital and Asset Injection Plan in accordance with the designated uses set out in the circular dated 31 October 2022 as follows:

	Net amount designated in the circular dated 31 October 2022 (HK\$ million)	Amount utilised up to 31 December 2022 (HK\$ million)	Unutilised balance as at 31 December 2022 (HK\$ million)	% utilised as at 31 December 2022
1. Repayment of existing bank borrowings	1,013.0	1,013.0	–	100%
2. Repayment of outstanding amount and interest associated with the corporate bonds issued by the Company and other borrowings of the Group	337.0	87.2	249.8	26%
3. Business development	94.5	–	94.5	0%
4. General working capital	50.0	–	50	0%
Total	<u>1,494.5</u>	<u>1,100.2</u>	<u>394.3</u>	<u>74%</u>

As at 31 December 2022, net proceeds from the Capital and Asset Injection Plan of HK\$394.3 million was not yet utilised. The unutilised portion of proceeds is expected to be utilised within 2023 in accordance with the designated users previously announced by the Company. In the meantime, the unutilised portion of proceeds continues to be maintained in deposits with licensed banks.

## EMPLOYEES' INFORMATION

The Group's employees are based in Hong Kong and the PRC. As at 31 December 2022, the Group had 644 (31 December 2021: 934) employees. 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.

## CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2022 are secured by:

- (i) pledges over certain of the Group's property, plant and equipment;
- (ii) pledges over the Group's equity interests in a subsidiary;
- (iii) pledged by the right of collection of receivables from the sales of gas of a subsidiary;
- (iv) guarantees given by the Company and/or its subsidiaries; and/or
- (v) pledges over certain of the Group's bank balances.

Save as disclosed above, as at 31 December 2022, the Group did not have any charges on the Group's assets.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGES RATES**

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

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

Details of the significant event after the reporting period are set out in Note 15 of this annual results announcement.

## **FINAL DIVIDEND**

The Board did not recommend a payment of final dividend for the year ended 31 December 2022.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

- (i) Acquisition of 100% equity interests in Zhejiang Bochen Energy Holding Co., Ltd

On 25 February 2022, Shenzhen Jinzhifu Energy Co., Ltd. (a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with two vendors for the acquisition of 100% equity interests in Zhejiang Bochen Energy Holding Co., Ltd. The acquisition was completed in February 2022. For details, please refer to the announcement of the Company dated 12 April 2022.

- (ii) Capital and Asset Injection Plan involving, among others, acquisition of 100% equity interest in Sapphire Gas Company Limited which in turns owns 51% equity interest in the Guangxi Project Company

Please refer to pages 22 and 24 of this announcement for details of the Acquisition.

Save as disclosed in this announcement, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during FY2022.

## **SIGNIFICANT INVESTMENTS AND FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Group had no significant investment nor were there any plan for material investments or additions of capital assets authorised by the Board as at the date of this announcement.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). The Group adopted practices which meet the CG Code during FY2022.

Throughout FY2022, the Company has complied with the code provisions set out in the CG Code in force during the year, save for the deviation as disclosed below.

Pursuant to code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. In FY2022, the Company held one annual general meeting and one special general meeting.

Due to travel restrictions imposed as a result of COVID-19, Mr. Zhi Xiaoye (“**Mr. Zhi**”), the chairman of the Board and a non-executive Director, attended the annual general meeting held on 31 May 2022 (the “**2022 AGM**”) via telephone conference. According to the then bye-laws of the Company, only physical attendances are counted towards valid attendances at the general meeting and hence Mr. Zhi was not regarded as present at the 2022 AGM. Mr. Zhi was unable to attend the special general meeting held on 15 November 2022 due to his other business commitments.

## **COMPLIANCE WITH THE MODEL CODE**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the Model Code throughout FY2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 15 May 2023 (the “**AGM**”), the register of members of the Company will be closed from Wednesday, 10 May 2023 to Monday, 15 May 2023 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 May 2023.

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

During FY2022, save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The audit committee of the Board (the “**Audit Committee**”) currently comprises three members, namely, Mr. Cui Yulei, Ms. Hsu Wai Man Helen (“**Ms. Hsu**”) and Mr. Xu Jianwen, all being independent non-executive Directors, with Ms. Hsu as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles, accounting policies and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The annual results have been reviewed and approved by the Audit Committee.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the Company’s auditor on the preliminary announcement.

## **ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bgbluesky.com](http://www.bgbluesky.com)).

A notice convening the AGM will be despatched to the shareholders of the Company together with the 2022 Annual Report on or before 30 April 2023 and available on the aforesaid websites in due course.

## **APPRECIATION**

The Board would like to express its sincere gratitude to our shareholders and business partners for their continuous support and our staff for their dedication and hard work throughout the reporting period.

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

Hong Kong, 30 March 2023

*As at the date of this announcement, the executive Directors are Mr. Li Weiqi, Mr. Chen Ning, Mr. Wu Haipeng, and Mr. Yeung Shek Hin; the non-executive Directors are Mr. Zhi Xiaoye and Mr. Shao Dan; and the independent non-executive Directors are Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.*

\* *for identification purpose only*