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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)

### FULFILLMENT OF THE RESUMPTION GUIDANCE

AND

### RESUMPTION OF TRADING

Financial adviser to the Company



The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Gas Blue Sky Holdings Limited (the “**Company**”) is pleased to inform the Company’s shareholders (the “**Shareholders**”) and potential investors that the Company has fulfilled all the Resumption Guidance given by the Stock Exchange.

Trading in Shares was suspended with effect from 9:00 a.m. on 18 January 2021 at the request of the Company. As all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Company’s shares (the “**Shares**”) with effect from 9:00 a.m. on Monday, 25 July 2022 on the Stock Exchange.

This announcement is made by the Company (together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s announcements dated 17 January 2021, 26 February 2021, 16 April 2021, 26 April 2021, 16 July 2021, 29 September 2021, 15 October 2021, 22 November 2021, 30 November 2021, 13 January 2022, 19 April 2022, 19 May 2022, 27 May 2022, 30 June 2022 and 15 July 2022 in relation to, among others, the identification of certain suspicious transactions and questionable assets of the Group (the “**Incident**”), the resumption guidance issued by the Stock Exchange and quarterly updates on resumption progress of the Company (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

## **BACKGROUND**

### **Suspension of trading**

On 6 July 2020, the Company appointed Mr. Li Weiqi, Ms. Yang Fuyan and Mr. Ye Hongjun (who retired on 31 May 2022) as executive Directors, details of which are set out in the Company's announcement dated 3 July 2020. Subsequently, the then executive Directors (including Mr. Jin Qiang, who retired on 31 May 2022) as the then new management of the Company, commenced its internal review of the Group's assets and past transactions to assess the business operations and financial positions of the Group, and to formulate future plans for the Group. In the process, the then Board conducted reviews on books and records and made inquiries with relevant staff.

Based on the aforementioned internal review, it gradually came to the Board's attention that Mr. Cheng Ming Kit ("**Mr. Cheng**"), who had been an executive Director and a chairman of the Board since 2014 before he was redesignated as a non-executive Director and deputy chairman of the Board in July 2020, appeared to have failed in discharging his fiduciary duties as a Director where he was involved in the Incident. Duties of Mr. Cheng, as a non-executive Director and deputy chairman of the Board, were then suspended since 16 January 2021 and he was subsequently removed as a Director on 29 November 2021.

As disclosed in the Announcements, trading in the Shares was suspended with effect from 9:00 a.m. on 18 January 2021 at the request of the Company pending the release of further announcements in relation to the Incident.

### **Resumption Guidance**

On 24 February 2021, the Company received a letter from the Stock Exchange setting out Resumption Guidance (1) to (5). Subsequently, on 22 April 2021 and 17 November 2021, the Company received two further letters from the Stock Exchange setting out Resumption Guidance (6); and Resumption Guidance (7) and (8) respectively. The full list of Resumption Guidance is as follows:

- (1) to conduct a forensic investigation into the Incident, announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions;
- (2) to demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (3) to demonstrate that the Company has in place adequate internal control systems to meet the obligations under the Listing Rules;
- (4) to demonstrate compliance with Rule 13.24 of the Listing Rules;
- (5) to inform the market of all material information for the Shareholders and other investors to appraise its positions;
- (6) to publish all outstanding financial results required under the Listing Rules and address any audit modifications;

- (7) to conduct an independent forensic investigation into the Other Matters (details of which are set out in the section headed “Other Matters” in the Company’s announcement dated 29 September 2021), announce the investigation findings, assess and announce the impact on the Company’s financial and operation position, and take appropriate remedial actions; and
- (8) to conduct an independent forensic investigation with a view to identifying other transactions made by the Group since May 2014 with material irregularities, if any, announce the investigation findings, assess and announce the impact on the Company’s financial and operation position, and take appropriate remedial actions.

## **FULFILMENT OF ALL THE RESUMPTION GUIDANCE**

The Board is pleased to announce that the Company has fulfilled all the Resumption Guidance, details of which are set out as follow:

### **Resumption Guidance (1)**

On 1 February 2021, the Board resolved to establish the Special Committee, comprising two independent non-executive Directors and an industry expert, for the purpose of, among other things, investigating into the Incident. Details of the report made by the Forensic Accountant on the key findings of the Investigation (the “**Initial Investigation Report**”), together with the recommendations of the Special Committee, were disclosed in the Company’s announcement dated 29 September 2021.

Having reviewed and considered the Initial Investigation Report and the report of the Special Committee on its recommendations, the Board has fully adopted and implemented the recommendations of the Special Committee. Details of the recommendations and the Company’s responses are summarized below.

| <b>No.</b> | <b>Recommendations of the Special Committee</b>  | <b>Company’s responses</b>  |
|------------|--|---|
| 1          | If not already done so, to report the Reviewed Transactions to law enforcement authorities as soon as practicable;   | The Company has consulted its lawyers and taken appropriate legal actions to report the Reviewed Transactions to law enforcement authorities and/or demand repayments and claim losses from the relevant third parties, where applicable. |
| 2          | To obtain legal advice and take legal action as soon as practicable to demand repayments and claim losses from the relevant third parties (including any former Directors involved); |   |

| <b>No.</b> | <b>Recommendations of the Special Committee</b>   | <b>Company's responses</b>  |
|------------|---|---|
| 3          | <p>To obtain financial advisers' advice and legal advice as soon as practicable as to whether there was any breach of relevant rules and whether relevant reporting with regulatory authorities is required, in view of (i) Mr. Cheng's suspected obscuring of his conflict of interests in the Reviewed Transactions; (ii) Mr. Cheng's suspected misappropriation of the Group's assets and funds; (iii) Mr. Cheng's suspected instruction of payment/providing funds from the Group to his designated parties to acquire interests and then sell the same back to the Group (including acquisitions that were carried out in stages to circumvent relevant regulations); and (iv) Mr. Cheng having caused lending arrangements between the Group and his related parties under his instructions to be made creating the illusion of dealing with a third party;</p> | <p>The Company has taken legal actions according to the opinions of its lawyers, including reporting to relevant law enforcement authorities and/or regulators regarding the misconduct of Mr. Cheng, engaging overseas lawyers to prepare overseas litigation, commissioning third parties to make claims, and/or applying for the liquidation of the counterparties in court in Hong Kong where necessary.</p> <p>With the assistance of its financial and legal advisers, the Company has also performed assessments on the Reviewed Transactions pursuant to the Listing Rules, and published relevant rectification announcements for re-compliance of the Listing Rules where appropriate. Please refer to the Company's announcements dated 13 January 2022, 14 February 2022 and 12 April 2022 for further information.</p> |
| 4          | <p>To consider actions against, including removal or dismissal of the relevant staff or consultants of the Group involved in the Reviewed Transactions and those who are still employed or engaged by the Group;</p>  | <p>As at the date of this announcement, the Company has taken all necessary actions to remove or dismiss all wrongdoers save for an operations analyst in the enterprise management department.</p>   |
| 5          | <p>To separate the roles of chairman and chief executive officer of the Group and avoid such roles being performed by the same individual; to clearly define responsibilities in respect of management of the Board and day-to-day management of the Company's business in writing to prevent a small group of people having unfettered power over decision making of the Board, the Company or its subsidiaries;</p>   | <p>Since July 2020, the roles of chairman and chief executive officer of the Group have been separated.</p> <p>As at the date of this announcement, Mr. Zhi Xiaoye is the Chairman of the Board and Mr. Li Weiqi is the Chief Executive Officer of the Company.</p>   |

| <b>No.</b> | <b>Recommendations of the Special Committee</b>  | <b>Company's responses</b>  |
|------------|--|---|
| 6          | The employees of the Group, in particular the directors of the Company or its subsidiaries, the cashier and the finance/ accounting department, should objectively and independently make judgments on the affairs of the Group so as to avoid management and individuals or a small group of individuals having unfettered power over decision-making;  | <p>The Company has appointed the IC Consultant to conduct the Internal Control Assessment and the IC Consultant has provided recommendations for the management's consideration.</p> <p>The Group has implemented the recommendations accordingly. The IC Consultant issued the Follow-up Report on 31 March 2022 which reported on the remediation results upon the completion of the Internal Control Assessment.</p> |
| 7          | To provide trainings to the management and employees of the Group to improve their knowledge in accounting, financial and business management, and legal knowledge;  | Relevant trainings were provided to the management and employees of the Group in July 2021.   |
| 8          | To provide regular training on regulatory and legal topics to the management and employees of the Group including compliance with the Listing Rules, which must also include training on directors' responsibilities, the code on corporate governance; notifiable and connected transactions requirements under the Listing Rules, and financial reporting requirements under the Listing Rules. This is to familiarise them with the Group's internal control procedures, their responsibilities under the Listing Rules and the requirements under the relevant laws and regulations; | <p>Relevant training sessions were arranged for the management and employees of the Group in September 2021 and April 2022.</p> <p>The Company will continue to arrange periodic training(s) for the Board, senior management and employees of the Group on internal controls, corporate governance and compliance with the Listing Rules.</p>  |

| No. | Recommendations of the Special Committee   | Company's responses  |
|-----|--|--|
| 9   | To engage an internal control consultant to review the internal control system of the Group and carefully consider the recommendations from the internal control review and take corrective actions in order to strengthen the Group's internal control system and to effectively cover all major management and internal control systems including financial, operational and regulatory control and risk management functions; and | The Company has appointed the IC Consultant to conduct the Internal Control Assessment and the IC Consultant has provided recommendations for the management's consideration.<br><br>The Group has implemented the recommendations accordingly. The IC Consultant issued the Follow-up Report on 31 March 2022 which reported on the remediation results upon the completion of the Internal Control Assessment. |
| 10  | To engage a compliance adviser to maintain compliance with the Listing Rules.  | The Company has appointed Asian Capital Limited as compliance adviser for the provision of advisory services on compliance matters of the Company.   |

In light of the above, Resumption Guidance (1) has been fulfilled.

### Resumption Guidance (2)

As disclosed in the Company's announcement dated 29 September 2021 in relation to the Investigation, the Reviewed Transactions were conducted during Mr. Cheng's tenure as Director and were primarily caused by Mr. Cheng's overriding of the Company's internal controls, entering into agreements and transactions without the Board's authorisation, colluding with third parties, and having purposely concealed relationships, and/or provided false, misleading or otherwise incomplete information to other Directors during the Board approval process for the Reviewed Transactions.

The Company's announcement dated 19 April 2022 on the Extended Investigations further revealed that the incidents covered in the Extended Investigations were also mostly conducted by Mr. Cheng as Director and by other former Directors at relevant times, and were primarily caused by Mr. Cheng's wrongful acts in largely similar vein to the ones in the Initial Investigation Report.

As at the date of this announcement, save for an operations analyst in the enterprise management department, all the wrongdoers, including Mr. Cheng, other former Directors and all of the then senior finance personnel who led the execution of and/or had extensive involvement (other than those whose involvements were incidental to their job duties) in carrying out various transactions under Mr. Cheng's instructions have either resigned or been removed and no longer hold any position within the Group.

In view of the retirement of Mr. Jin Qiang and Mr. Ye Hongjun as executive Directors on 31 May 2022 and the resignation of Ms. Yang Fuyan as executive Director with effect from 19 August 2022, the Company has restructured its Board composition by appointing two additional executive Directors, namely Mr. Chen Ning and Mr. Yeung Shek Hin, who together with Mr. Li Weiqi, form the new executive committee of the Board (the "**New Executive Committee**"). The New Executive Committee is assisted by an experienced senior management team who are equipped

with substantial technical expertise and compliance leadership to effectively oversee the Group's financial management, operations, corporate governance and compliance affairs.

To prevent occurrence of similar incidents in the future and enhance the corporate governance of the Group, the Board has resolved to adopt the recommendations of the Special Committee in connection with the Investigation and Extended Investigations. Further information on the measures in connection with the enhancement of the corporate governance of the Group is set out in the paragraphs headed "Resumption Guidance (1)" and "Resumption Guidance (7) and (8)" in this announcement.

In light of the above, the Company is of the view that the Directors and the senior management team of the Company have attained the required management integrity and level of competence commensurate with their position in managing the Company's business and operations. Therefore Resumption Guidance (2) has been fulfilled.

### **Resumption Guidance (3)**

As disclosed in the Company's announcement dated 16 July 2021, the Company engaged the IC Consultant to perform an independent review on the internal control system of major processes of the Company and its major operating subsidiaries. The IC Consultant conducted the Internal Control Assessment in two phases, including the identification of internal control issues and making recommendations for the rectification in first phase; and follow-up on the implementation of rectification work in the second phase. The IC Consultant issued the first phase report on 26 November 2021 and the second phase report (i.e. the Follow-up IC Report) on 31 March 2022 respectively.

As at the date of this announcement, save for ongoing implementation of remedial measures in respect of contribution of social insurance and housing provident fund, which is expected to be completed in January 2023, the Company has implemented all the recommendations made by the IC Consultant in the Internal Control Assessment. Key findings of the Internal Control Assessment and remedial measures implemented by the management were published in the Company's announcements dated 30 November 2021 and 19 April 2022.

Moreover, after the Group had completed the acquisition of Zhejiang Bochen Energy Holdings Co., Ltd. and its group companies ("**Zhejiang Bochen Energy Group**") in February 2022, Zhejiang Bochen Energy Group has adopted the Group's enhanced internal control policies and procedures. The Company also appointed the IC Consultant to assist the Company's management to assess the internal control systems of the major operating subsidiaries of Zhejiang Bochen Energy Group (the "**Zhejiang Bochen Energy IC Assessment**"), details of which were disclosed in the Company's announcement dated 30 June 2022.

Having considered the Follow-up IC Report, the Zhejiang Bochen IC Report and the remedial measures taken by the Group (including ongoing implementation of remedial measures as described above), the audit committee and the Board are of the view that the remedial measures implemented by the Company and its major operating subsidiaries are adequate and sufficient to address the key findings of the Internal Control Assessment and the Zhejiang Bochen Energy IC Assessment and the enhanced internal control system can facilitate the Group to manage the related risks at a reasonable level.

In light of above, the Board is of the view that the Company has now in place adequate internal control systems to meet its obligations under the Listing Rules.

#### **Resumption Guidance (4)**

The Group is an integrated natural gas provider and distributor that offers innovative and diversified clean energy solution in the PRC. The Group focuses on the downstream natural gas distribution business which encompasses (i) construction and operation of compressed natural gas and liquefied natural gas refueling stations for vehicles; and (ii) construction of natural gas connection pipelines and supply of piped gas to industrial parks, commercial complex and residential communities.

As disclosed in the Company's 2021 annual report, the Group recorded revenue from its principal activities of approximately HK\$1,728 million for the year ended 31 December 2021; and maintained a total asset position of approximately HK\$5,236 million as at 31 December 2021.

As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects.

In view of the Company's sizeable operations and asset base, the Group is at all times in full compliance with Rule 13.24 of the Listing Rules and warrants the continued listing of the Shares on the Stock Exchange.

#### **Resumption Guidance (5)**

The Company has published announcements from time to time in compliance with the Listing Rules, the disclosure of inside information under Part XIVA of the SFO and on a voluntary basis in order to keep the Shareholders and the market informed of the Group's status and latest development, including but not limited to the progress in fulfilling the Resumption Guidance, the key findings of the Investigation and Extended Investigations, the findings of Internal Control Assessment, details on certain historical transactions for re-compliance with the Listing Rules, as well as the Group's business development and affairs since the suspension of trading in the Shares in January 2021.

In light of above, the Board believes that the Company has published all material information it considers necessary and appropriate for the Shareholders and investors to appraise the Company's position. Hence, the Company is of the view that it has satisfied this Resumption Guidance.

#### **Resumption Guidance (6)**

As at the date of this announcement, all of the Company's outstanding financial results have been published.

The respective dates of publication of the Company's financial result since the suspension of trading in the Shares are set out below:

| <b>Financial year/period</b>  | <b>Date of publication</b>          |
|---|-------------------------------------|
| For the year ended 31 December 2020 ("FY2020") <ul style="list-style-type: none"><li>• Results announcement</li><li>• Annual report</li></ul> | 3 October 2021<br>25 October 2021   |
| For the six months ended 30 June 2021 <ul style="list-style-type: none"><li>• Results announcement</li><li>• Interim report</li></ul>         | 29 October 2021<br>15 November 2021 |
| For the year ended 31 December 2021 ("FY2021") <ul style="list-style-type: none"><li>• Results announcement</li><li>• Annual report</li></ul> | 19 April 2022<br>28 April 2022      |



Following the resignation of the former auditor of the Company in January 2021, Ernst & Young (“**EY**”) was appointed as the auditor of the Company in February 2021 and later audited the Company’s financial statements for FY2020 and FY2021. Whilst there remained certain audit modifications in the auditor’s report for FY2021, the Company has subsequently taken certain rectification work (as detailed in the table below) with the view to addressing the audit issues.

|   | <b>Summary of audit modifications for FY2021</b>  | <b>Rectification measures implemented by the Company</b>  |
|---|---|---|
| 1 | <i>Equity interests held by third parties</i>   |   |
|   | <p>During the course of the Investigation, the Board discovered the existence of the service agreements (“<b>Service Agreements</b>”) signed between the Company and certain third parties (the “<b>Nominees</b>”) relating to the holding of equity interests, pursuant to which the Nominees agreed to hold an equity interest in certain companies (the “<b>Unacquired Relevant Companies</b>”) on behalf of the Company. The board of directors denies the validity of the Service Agreements and accordingly, the Unacquired Relevant Companies were not consolidated or equity accounted for by the Company as the Group had no control or significant influence over the Unacquired Relevant Companies.</p> <p>Despite that the Group had been in negotiation with the Nominees to dissociate the Service Agreements with the Group, the Group was unable to reach an agreement with the Nominees.</p> | <p>In order to ascertain the relationship with the Unacquired Relevant Companies (excluding those which were acquired by the Group, deregistered and no longer classified as Unacquired Relevant Companies as reported in the Extended Forensic Investigation Report), the Company has taken the following actions:</p> <p>The Company has reached out to the equity holders of the Unacquired Relevant Companies (the “<b>Equity-holders</b>”) to ascertain the situation relating to the Unacquired Relevant Companies and obtained declarations from the Equity-holders that the Unacquired Relevant Companies are unrelated to the Company.</p> |

|  | <p align="center"><b>Summary of audit modifications<br/>for FY2021</b></p>  | <p align="center"><b>Rectification measures implemented by<br/>the Company</b></p>  |
|--|---|---|
|  | <p>EY was unable to obtain sufficient relevant evidence to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group and whether the Unacquired Relevant Companies should have been consolidated by the Group according to International Financial Reporting Standard 10 <i>Consolidated Financial Statements</i> (“<b>IFRS 10</b>”) or accounted for under the equity method of accounting according to International Accounting Standard 28 <i>Investments in Associates and Joint Ventures</i> (“<b>IAS 28</b>”).</p> | <p>Furthermore, as at the date of this announcement, the Directors confirmed that (a) none of the Unacquired Relevant Companies is using the Company’s email and OA system; (b) the Company has commenced the necessary procedures to remove all financial information of the Unacquired Relevant Companies from its accounting system; (c) all the Company’s employees who are also directors or supervisors of the Unacquired Relevant Companies have tendered their resignation as a director or supervisor of the Unacquired Relevant Companies; and (d) the Company has reached out to the responsible persons of the Unacquired Relevant Companies to handover to them the business registration documents, company chops and/or bank account devices of the Unacquired Relevant Companies.</p> <p>Accordingly, with the execution of declarations by the Equity-holders, and/or the disposal of equity interests in the Unacquired Relevant Companies by the Equity-holders, the Directors are able to illustrate to the auditors, with the support of a Hong Kong legal opinion, that these Unacquired Relevant Companies are either dissolved/deregistered or their beneficial owners are third parties independent of the Company, and therefore they are neither subsidiaries, associates nor joint ventures of the Group and hence should not be consolidated by the Group according to IFRS 10 or accounted for under the equity method of accounting according to IAS 28.</p> |

|   | Summary of audit modifications for FY2021   | Rectification measures implemented by the Company   |
|---|---|---|
| 2 | <i>Related party transactions</i>   |   |
|   | <p>EY was 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 in December 2021. They were also unable to ascertain whether the Unacquired Relevant Companies (item 1 in this table above) were related parties of the Group and whether the transactions with the Unacquired Relevant Companies should be disclosed as related party transactions in the consolidated financial statements for the year ended 31 December 2021 pursuant to International Accounting Standard 24 <i>Related Party Disclosures</i>.</p> | <p>New internal control policies and mechanism for the Group's related party transactions, including but not limited to, identification of related parties, preparation and regular updates on the list of related parties, pricing policies and terms of contracts, regular reconciliation of transactions and balances with related parties, etc. have already been implemented by the Group since December 2021. Please also refer to the Company's announcements dated 30 November 2021 and 19 April 2022 in relation to Internal Control Assessment for details.</p> |

|   | Summary of audit modifications for FY2021  | Rectification measures implemented by the Company  |
|---|--|--|
| 3 | <i>Matters relating to opening balances and impacting on the financial performance of the Group during the year ended 31 December 2021</i>   |  |
|   | <p data-bbox="215 342 831 454"><i>(a) Deposits paid for acquisition of 51% equity interest in Tangshan Huapu Gas Co., Ltd. (“Tangshan Huapu”)</i></p> <p data-bbox="215 495 831 1305">EY had been unable to obtain sufficient and appropriate audit evidence to assess the appropriateness of the carrying amount of the deposits paid for the acquisition of 51% of equity interest of Tangshan Huapu as at 31 December 2020, nor have they been able to ascertain whether any of the impairment loss of HK\$90 million recognised by the Group in profit or loss for the year ended 31 December 2021 should have been recorded in profit or loss for the year ended 31 December 2020 or prior years. Therefore, EY had been unable to determine whether it would be necessary to make adjustments to the aforesaid impairment loss recognised by the Group in its profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020; and the carrying amount of deposits for acquisition of subsidiaries in the Group’s consolidated statement of financial position as at 31 December 2020.</p> | <p data-bbox="853 342 1469 454">For (a) and (b), the disclaimed items have already been resolved as impairment and provision was recognised in FY2021.</p> <p data-bbox="853 495 1469 640">For (c), the audit modification has already been resolved as proper accounting treatment was adopted in FY2021 (i.e. as subsidiary and consolidated).</p> |

|  | <p align="center"><b>Summary of audit modifications<br/>for FY2021</b></p>   | <p align="center"><b>Rectification measures implemented by<br/>the Company</b></p> |
|--|--|--|
|  | <p><i>(b) Provision for potential liability</i></p> <p>EY had been unable to obtain sufficient and appropriate audit evidence to ascertain the amount of provision for liability that should be recognised as at 31 December 2020 and if any of the provision amount 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, EY had been unable to determine whether it would be necessary to make adjustments to the provision for liability recognised by the Group in profit or loss for the years ended 31 December 2021 and 2020; and the provision for liability in the Group’s consolidated statement of financial position as at 31 December 2021 and 2020.</p> <p><i>(c) Investment in Qian Tang Finance Lease Co., Ltd. (“Qian Tang”)</i></p> <p>EY was unable to obtain sufficient relevant evidence supporting the appropriateness of the accounting treatment adopted by the Group in respect of investment in Qian Tang as at 31 December 2020. Consequently, EY was unable to determine whether adjustments were required to be made to the Group’s consolidated statement of financial position as at 31 December 2020.</p> |  |

|   | <b>Summary of audit modifications<br/>for FY2021</b>  | <b>Rectification measures implemented by<br/>the Company</b>   |
|---|---|--|
| 4 | <i>Correction of prior years' errors relating to purchase price allocation in prior years</i>   |  |
|   | <p>The management corrected the errors in respect of assets and liabilities for certain significant acquisitions made in prior years in the current year's consolidated financial statements by adjusting the opening balances as at 1 January 2021, however, no restatement was made to the comparative amounts. A third consolidated statement of financial position as at 1 January 2020 was also not presented in the current year's consolidated financial statements.</p> <p>This is not in accordance with International Accounting Standard 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, which requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred, and International Accounting Standard 1 <i>Presentation of Financial Statements</i>, which requires an entity to present a third statement of financial position as at the beginning of the preceding period if a retrospective application of an accounting policy, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.</p> | <p>No further action is required as the audit modification is entirely related to prior years' errors.</p> |

|   | <b>Summary of audit modifications for FY2021</b>  | <b>Rectification measures implemented by the Company</b>  |
|---|---|---|
| 5 | <i>Corresponding figures</i>  |   |
|   | <p>(a) <i>Impairment losses/write-off of assets during the year ended 31 December 2020</i></p> <p>(b) <i>Revenue from the trading of goods for the year ended 31 December 2020</i></p> <p>The audit opinion is modified because of the possible effect of the above captioned matters on the comparability of the current year's figures and the corresponding figures.</p>   | No further action is required as the disclaimed item is entirely related to corresponding figures.  |
| 6 | <i>Material uncertainties relating to going concern</i>   |   |
|   | <p>As at 31 December 2021, the current liabilities of the Group exceeded its current assets by approximately HK\$2.9 billion. The current liabilities included HK\$2.2 billion of bank and other borrowings due for repayment in 2022 according to the original repayment schedule of the respective loan agreements and HK\$1.3 billion of bank and other borrowings due for repayment after 2022 according to the original repayments schedule but were reclassified as current liabilities as the events of defaults had been triggered in respect of certain of the Group's bank and other borrowings due to, among others, the suspension of trading of the Shares since 18 January 2021. Certain of the Group's creditors have also demanded for immediate repayment and the Group is currently in negotiation with the creditors for a refinancing arrangement. The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.</p> | <p>As stated in the auditor's report for FY2021, the Directors have been undertaking measures to improve the Group's liquidity and financial position. Following the resumption of trading in the Shares, the implementation of these measures is expected to be completed on or before 31 December 2022.</p> |

EY has been re-appointed as the auditor of the Company for the audit of the year ending 31 December 2022 (“FY2022”). EY indicated that, based on the measures taken and supporting evidence provided by the Group as of today, all the issues resulted in the audit modifications in respect of the FY2021 Financial Statements (except for the audit modification related to going concern), in the absence of any new developments which might come to its attention during the FY2022 audit, have been resolved. Accordingly, the management and the audit committee expect that the auditor’s report for FY2022 will only be modified with respect to the opening balances as at 1 January 2022, profit or loss for FY2022 and comparability of the FY2022’s figures and the corresponding figures.

EY also indicated that the aforesaid are not audit opinion formed by EY on the individual issues and audit opinion will only be formed by EY on the Company’s consolidated financial statements as a whole for the year ending 31 December 2022 after completion of the FY2022 audit.

### **Resumption Guidance (7) and (8)**

For the purpose of ascertaining (i) the implications of “Other Matters” as identified in the Investigation; and (ii) any other transactions which may be involved with material irregularity since May 2014, the Special Committee has resolved to conduct the Extended Investigations. Details of the report made by the Forensic Accountant on the key findings of the Extended Investigations (the “**Extended Investigation Report**”) together with the recommendations of the Special Committee were disclosed in the Company’s announcements entitled “Key Findings Of The Extended Forensic Investigation Report” and “Supplemental Information In Relation To Key Findings Of The Extended Forensic Investigation Report” on 19 April 2022 and 19 May 2022 respectively.

Having reviewed and considered the Extended Investigation Report and the report of the Special Committee on its recommendations, the Board has fully adopted and implemented the recommendations of the Special Committee. Details of the recommendations and the Company’s responses are summarized below.

| <b>No.</b> | <b>Recommendations of the Special Committee</b>  | <b>Company’s responses</b>  |
|------------|--|---|
| 1          | In respect of accounting and audit issues regarding the Relevant Companies, the Reviewed Transactions and suspicious or problematic acquisitions, disposals and trading arrangements as identified in the Extended Investigations, to hold discussion with Company’s auditors to follow up on appropriate accounting treatment and make assessment on impact in prior years. | The Company has adopted appropriate accounting treatments on issues concerned in the Group’s consolidated financial statements for the two years ended 31 December 2021.<br><br>Based on the measures taken and supporting evidence obtained by the Group, in the absence of any new developments, the Board, including the audit committee, is of the view that the issue relating to the audit modifications in FY2021 have been resolved. Please refer to the paragraph headed “Resumption Guidance (6)” in this announcement for further details. |



| No. | Recommendations of the Special Committee  | Company's responses  |
|-----|---|--|
| 2   | In respect of Listing Rule compliance matters, to seek advices from financial and legal advisers on alleged non-compliance matters as identified in the Extended Investigations and report to relevant regulatory authorities if required.  | With the assistance of its financial and legal advisers, the Company has performed assessments on the Reviewed Transactions pursuant to the Listing Rules and published relevant rectification announcements for re-compliance of the Listing Rules where appropriate. Please refer to the Company's announcements dated 27 May 2022 and 17 June 2022 for further information.   |
| 3   | In respect of asset recovery in relation to the Relevant Companies, to obtain legal advice and take legal action to recover overpayments or unknown payments made.  | The Company has taken various actions according to the advice of its legal advisers, including but not limited to, engaging overseas lawyers to prepare overseas litigation, commissioning third parties to make claims, and/or applying for the liquidation of the counterparties where necessary.  |
| 4   | <p>In respect of enhancement of internal control system, to</p> <p>(i) ensure strict implementation of the recommendations to the Company's internal control system made by the Internal Control Consultant;</p> <p>(ii) conduct executive directors' training, recruit new Board members and/or restructure the Board as appropriate, appoint external compliance advisor, appoint financial controller and strengthen internal support for group governance and compliance;</p> <p>(iii) perform evaluation on staff who were previously involved in the subject matters of the Extended Investigations to assess their ability, performance and level of involvement for their continued employment or termination and consideration of their suitability of remaining with the Group;</p> | <p>The Company has adopted the following:</p> <p>(i) recommendations made by the IC Consultant were implemented and the Follow-up IC Report on implementation status was issued by the IC Consultant in March 2022;</p> <p>(ii) in addition to the training sessions provided to the Group's management and employees in July 2021, the Company has arranged training for members of the Board and senior management on Listing Rules in April 2022. The Company will continue to arrange periodic training sessions for the Board, senior management and employees of the Group on internal controls, corporate governance and compliance with the Listing Rules.</p> <p>The Company has also restructured the Board composition and the senior management team. For further details, please refer to item (iv) in this table below;</p> <p>(iii) the Company has taken all necessary actions to remove or dismiss all wrongdoers. In addition, the Board has also considered the involvement of its management and staff in the irregular actions and has taken appropriate follow up actions;</p> |

| No. | Recommendations of the Special Committee  | Company's responses   |
|-----|---|---|
|     | <p>(iv) optimize and improve the corporate governance mechanism under the guidance of the Board of Directors, strengthen the authority management of major matters and the scope of matters reported to the Board of Directors for deliberation through quantitative and qualitative methods, and improve and expand the management to regularly report to the Board of Directors on business, financial and internal control status and other governance improvements; and establish compliance committee comprising executive Director(s) and at least a non-executive Director, and to formulate, monitor and maintain the Group's compliance requirements under the Listing Rules and laws, and formulate a Whistleblowing Policy to encourage employees to report any violations and misconduct.</p> | <p>(iv) the Company has restructured its Board composition by appointing two additional executive Directors, namely Mr. Chen Ning and Mr. Yeung Shek Hin, who, together with Mr. Li Weiqi, constitute the New Executive Committee. The New Executive Committee is assisted by an experienced senior management team who are equipped with substantial technical expertise and compliance leadership to effectively oversee the Group's financial management, operations, corporate governance and compliance affairs;</p> <p>(v) the Company's corporate governance has been enhanced through the implementation of recommendations made by the IC Consultant in the Internal Control Assessment;</p> <p>(vi) the Board has established a compliance committee comprising all independent non-executive Directors and one executive Director who is responsible for compliance matters to formulate, monitor and maintain the Group's compliance requirements under the Listing Rules and laws. Please refer to the Company's announcement and the terms of reference of the compliance committee dated 27 May 2022 for further details; and</p> <p>(vii) the Board has adopted a whistleblowing policy on 29 May 2022 to encourage employees to report any violations and misconduct to the Board.</p> |

## RESUMPTION OF TRADING

Trading in Shares was suspended with effect from 9:00 a.m. on 18 January 2021 at the request of the Company. As all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 25 July 2022 on the Stock Exchange.

It is envisaged that the Company will also continue to communicate with its substantial shareholder to seek assistance in various aspects, including but not limited to strategic cooperation, asset restructuring, financing arrangement and talent introduction after resumption of trading. The Company will make further announcement(s) to inform the public once there is any update.

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

Hong Kong, 22 July 2022

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