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

Annual Report
2022

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FINANCIAL CONTENTS

CORPORATE INFORMATION

(as at 30 March 2023)

BOARD OF DIRECTORS

Executive Directors

Mr. Li Weiqi *(Chief Executive Officer)*
Mr. Jin Qiang (Resigned on 31 May 2022)
Ms. Yang Fuyan (Resigned on 19 August 2022)
Mr. Ye Hongjun (Resigned on 31 May 2022)
Mr. Chen Ning *(Chief Financial Officer)*
(Appointed on 1 June 2022)
Mr. Wu Haipeng (Appointed on 16 November 2022)
Mr. Yeung Shek Hin (Appointed on 1 July 2022)

Non-executive Directors

Mr. Zhi Xiaoye *(Chairman of the Board)*
Mr. Shao Dan (Appointed on 30 December 2022)

Independent Non-executive Directors

Mr. Ma Arthur On-hing (Resigned on 1 February 2022)
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen (Appointed on 1 February 2022)

COMMITTEE MEMBERS

Audit Committee

Ms. Hsu Wai Man Helen *(Chairman)*
Mr. Cui Yulei
Mr. Xu Jianwen

Remuneration Committee

Mr. Cui Yulei *(Chairman)*
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen

Nomination Committee

Mr. Zhi Xiaoye *(Chairman)*
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen

Executive Committee

Mr. Li Weiqi *(Chairman)*
Mr. Chen Ning
Mr. Wu Haipeng
Mr. Yeung Shek Hin

Compliance Committee

Ms. Hsu Wai Man Helen *(Chairman)*
Mr. Yeung Shek Hin
Mr. Cui Yulei
Mr. Xu Jianwen

AUTHORISED REPRESENTATIVES

Mr. Chen Ning
Ms. Annie Chen

COMPANY SECRETARY

Ms. Annie Chen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG OFFICE

Room 3402-4, 34/F, West Tower, Shun Tak Centre
200 Connaught Road, Central
Hong Kong

BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

LEGAL ADVISER

as to Hong Kong Law
Dentons Hong Kong LLP
Suite 3201, Jardine House
1 Connaught Place
Central, Hong Kong

COMPLIANCE ADVISER

Asian Capital Limited

PRINCIPAL BANKERS

Bank of Ningbo Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Mizuho Bank, Ltd.
Nanyang Commercial Bank (China) Limited
Natixis

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODE

6828

CHAIRMAN'S STATEMENT

Dear shareholders:

Since 2022, the international environment has become more complex and volatile, the global economy has become extremely unpredictable, and the pandemic in the Mainland China has been spreading in multiple locations, with a number of unexpected factors impacting business operations across the country. According to statistics from the National Development and Reform Commission of the People's Republic of China (the "**NDRC**"), the apparent consumption of natural gas in China was 366.3 billion cubic meters in 2022, representing a year-on-year slight decrease of 1.7%. In the face of the exceptionally complex and difficult situation, China overcame the adverse effects of unexpected factors and stabilized the overall market.

2022 is the year of victory of the Party's 20th National Congress, 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 is also a critical year for Beijing Gas Blue Sky Holdings Limited (the "**Company**") together with its subsidiaries ("**Beijing Gas Blue Sky**" or the "**Group**") to realize the resumption of trading on the Stock Exchange, complete the capital and asset injection plan, successfully start a new journey of development, and comprehensively promote the improvement of the Group's governance standards. Since the Party's 18th National Congress, China has implemented a national strategy to actively respond to climate change, promoted a comprehensive green and low-carbon transformation of economic and social development, increased the reduction of carbon emission intensity, strengthened the independent contribution target, and achieved remarkable results in green and low-carbon development. During the ten-year period from 2012 to 2022, China's CO_2 emissions per unit of GDP have dropped by 34.4%. Being green has become a trend for enterprises in China and a clear foundation for the high-quality development of society. In June 2022, seven departments, including the Ministry of Ecology and Environment, jointly issued the "Implementation Plan for Synergistic Effectiveness in Reducing Pollution and Reducing Carbon" (《減污降碳協同增效實施方案》), making arrangements for "carbon peaking" and "carbon neutrality" and related work on ecological environment protection, and proposing to comprehensively promote the petroleum and petrochemical industry's carbon peaking action.

Under the strong support of our controlling shareholders and the strong leadership of our Board of Directors, the Group effectively responded to the severe and complex situation and the challenges that came one after another, and was determined to be aggressive and overcome difficulties. The Company resumed trading in July 2022, and actively launched the Group's restructuring plan and completed the execution of a new syndicated loan in October 2022, and successfully completed the capital and asset injection plan in December 2022, satisfactorily solving the past debt issues and injecting new profitability into the enterprise. The Group continues to focus on improving its daily operations and management capabilities: enhancing corporate governance, improving risk prevention and control, enhancing safety and security, enhancing profitability and enhancing capital market interactions and striving for a new chapter of high-quality corporate development. The Group believes that after the resumption of trading of the shares in 2022 and the completion of the capital and asset injection, it will be beneficial to the development of Beijing Gas Blue Sky into a more high-quality energy enterprise.

CHAIRMAN'S STATEMENT

In 2022, due to the sudden outbreak of the pandemic and the impact of the pandemic on some economic activities, coupled with the supply and demand problems and rising costs caused by geopolitical conflicts, the natural gas market in China and the global natural gas market showed various degrees of uncertainty. During the year of 2022, the Group recorded revenue of HK$1,607.2 million, a year-on-year slight decrease of 7.0% and profit for the year attributable to shareholders of the Company of HK$18.6 million, compared to the Group's loss for the year attributable to shareholders of the Company of HK$275.4 million for 2021. With the implementation of the restructuring plan at the end of 2022, the Group's core liquidity has significantly improved and the gearing ratio has been significantly reduced, which immediately reduces the financial risk of the enterprise. As a result, the overall business operations and financial position of Beijing Gas Blue Sky are being improved in an orderly manner.

We are committed to moving forward with determination and doing our best to outperform the development. The year 2023 is the beginning of the comprehensive implementation of the spirit of the Party's 20th National Congress, and also the year for improving the management capacity and deepening the corporate governance of Beijing Gas Blue Sky. Beijing Gas Blue Sky will take practical actions to implement the Group's strategy and move towards a new type of gas enterprise by relying on the advantages of the controlling shareholder's synergy; actively develop the layout of the whole industrial chain of city gas and LNG to enhance its market influence. We will continue to explore new energy business to become a future-oriented integrated clean energy provider and create greater returns for shareholders. Looking ahead, the Company will continue to forge ahead, insist on seeking progress in a stable and gradual manner, and be more determined to create a brighter future for the Company in the new journey. We will continue to strive for higher quality goals and contribute to the sustainable development of the energy industry in China.

In the end, on behalf of the Board of the Group, I would like to express my sincere gratitude to our shareholders, customers and business partners for their trust and full support to the Group, and I would also like to express my sincere appreciation to all staff for their efforts and hard work!

Zhi Xiaoye
Chairman
Hong Kong, 30 March 2023

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 ("**m³**") 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辦公室) 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 2022, affected by the spread of the epidemic in many areas, the Group faced and tackled various challenges. During the year ended 31 December 2022 ("**FY2022**" or "**the Year**"), the Group's revenue was HK$1,607.2 million (For the year ended 31 December 2021 ("**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	Approximate sales volume	Approximate sales volume	Approximate sales volume	Approximate sales volume	Approximate gasification volume	Approximate unloading volume	Approximate volume throughput	Approximate volume (Note 1)
	(m^3)	(m^3)	(m^3)	(m^3)	(m^3)	(m^3)	(m^3)	(m^3)	(m^3)
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	8,473,871	134,530,423	8,904,217	227,142,216	379,050,727	–	–	–	379,050,727
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	64,380,005	–	–	–	64,380,005	5,415,390,000	306,000,000	5,721,390,000	5,785,770,005
Total	72,853,876	134,530,423	8,904,217	227,142,216	443,430,732	5,415,390,000	306,000,000	5,721,390,000	6,164,820,732

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.

The Board of Company presents the 2022 annual results of the Group.

Group's 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江蘇分公司) 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 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) ("**Beijing Gas Jingtang**"), 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 "**Convertible Bond**") 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 100% equity interest in Sapphire Gas Company Limited (the "**Target Company**") 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. For accounting purpose, the consideration transferred to the vendor for the acquisition was determined based on the fair value of the ordinary shares of the Company issued as consideration for the acquisition as at the date of completion of the acquisition, which amounted to HK$360,500,000, based on the then quoted market price of the Company's shares.

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 operation.

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 Mainland of 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 Mainland of 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	0%
Total	1,494.5	1,100.2	394.3	74%

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 uses 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 Mainland of 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 to eligible staff based on their performance and contributions to the Group.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

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 of the Group after the reporting period are set out in note 48 of the financial statements.

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 10 and 12 of this report for details of the Acquisition.

Save as disclosed in this report, 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 report, 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 report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Weiqi ("Mr. Li"), aged 48, has been appointed as an executive Director and chief executive officer of the Company (the "**Chief Executive Officer**") since 6 July 2020 and is currently also the chairman of the Executive Committee. He graduated from City Gas Engineering of Beijing University of Civil Engineering and Architecture in 1998 and is a senior engineer. Mr. Li served as the manager of the capital operation department of Beijing Gas Group from April 2018 to November 2020 and served as the deputy manager of planning and development department of Beijing Gas Group from December 2012 to August 2016. Mr. Li has ever worked in various departments in Beijing Coal Heat Institute for more than 10 years, including the planning and operation, consulting design and marketing departments, and has work experience in the Gas Management Office of the Beijing Municipal Management Committee. Mr. Li has more than 20 years of experience in natural gas design and planning, infrastructure investment, market development, corporate governance and capital operation. Mr. Li was an executive Director from 21 February 2017 to 26 September 2019.

Mr. Chen Ning ("Mr. Chen"), aged 42, has been appointed as an executive Director and a member of the Executive Committee since 1 June 2022, he is also the chief financial officer of the Company. He joined the Group in July 2021 as a vice president of the Group where he is mainly responsible for overseeing and managing the daily operations, financial management and legal affairs of the Company's Hong Kong office and the overall liaison and communication between the Hong Kong office and the Company's Mainland of PRC office and the Board's executive committee. Since 10 December 2021, Mr. Chen is also in charge of the supervision and management of the Group's investor relations department where he is responsible for investor relations and public relations management, information disclosure, peer analysis and research, etc. Prior to joining the Group, Mr. Chen has accumulated more than 10 years of experience in financial management. Between 2006 and 2011, Mr. Chen held positions in the financial departments of two state-owned enterprises. During Mr. Chen's tenure with Beijing Gas Group between 2011 and 2021, Mr. Chen has successively served as the chief financial officer in several subsidiaries of Beijing Gas Group. Mr. Chen obtained a master degree in management from Beijing Information Science and Technology University in 2006 and has become a certified public accountant (中國註冊會計師) and a senior accountant (高級會計師) of the PRC since 2006 and 2015, respectively. Mr. Chen is also a China Certified Tax Agent (中國註冊管理稅務師).

Mr. Wu Haipeng ("Mr. Wu"), aged 48, has been appointed as an executive Director since 16 November 2022 and is currently also a member of the Executive Committee. He joined the Group in February 2021 as a vice president of the Group in which he was mainly responsible for the Group's safety management. He obtained a bachelor's degree in industrial automation from Daqing Petroleum Institute (大慶石油學院) (currently known as Northeast Petroleum University (東北石油大學)) in July 1998 and a master's degree in gas engineering and management from MINES ParisTech in October 2011 and is a senior gas engineer (燃氣專業高級工程師). Mr. Wu has over 20 years of experience in gas pipeline network operation, gas station operation and safety management. Mr. Wu was promoted to the head of the Group's safety management committee in June 2021 and was re-designated as the executive officer of the safety management committee in February 2022. In addition to supervising the safety technology department (安全技術部) of the Company, Mr. Wu also oversees the engineering management and investment development functions of the Group.

Mr. Yeung Shek Hin ("Mr. Yeung"), aged 36, has been appointed as an executive Director since 1 July 2022. He is also a member of each of the Executive Committee and the Compliance Committee. Mr. Yeung is mainly responsible for supervising and managing finance, compliance and investor relations affairs of the Group. Prior to joining the Group, he held senior positions at Beijing Enterprises Clean Energy Group Limited (now known as Shandong Hi-Speed New Energy Group Limited) (stock code: 1250) ("**BECE**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He joined BECE in November 2016 and was appointed as the general manager of the finance department of BECE since September 2019. During his tenure at BECE, Mr. Yeung gained extensive experience in financial reporting and financial capital management, as well as company secretarial and compliance affairs of a Hong Kong listed company. Mr. Yeung has accumulated over 13 years of experience in corporate finance and auditing with the Big 4 international accounting firm and listed companies in Hong Kong. Mr. Yeung graduated from the City University of Hong Kong with a Bachelor of Business Administration (Hons) Major in Accountancy and Minor in Finance. Mr. Yeung is now a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

NON-EXECUTIVE DIRECTORS

Mr. Zhi Xiaoye ("Mr. Zhi"), aged 55, has been a non-executive Director and co-chairman of the Board since 11 May 2016, and has served as the sole chairman of the Board since 6 July 2020. He is also the chairman of the Nomination Committee. Mr. Zhi graduated from Beijing University of Technology with a master degree in Management Science and Engineering. He has ever worked at Tokyo Gas in Japan as a researcher, and is a professor level senior engineer. He worked at Beijing Gas as a transmission branch manager, at Beijing Dingxin New Technology Company Limited (北京市鼎新新技術有限公司) as the chairman and at Beijing Gas Group as an executive deputy general manager. Mr. Zhi has plenty of experience in pipe gas business and corporate management. He has been the vice president of Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange, stock code: 392) since July 2014 and is also a director and general manager of Beijing Gas Group.

Mr. Shao Dan ("Mr. Shao"), aged 45, has been appointed as a non-executive Director since 30 December 2022. Mr. Shao joined Beijing Gas Group in 2000 and has held various positions within Beijing Gas Group and its subsidiaries and joint ventures, including positions in the corporate management department, legal and audit department, financial controller, the deputy general manager of asset management department and the deputy general manager of the capital operations department. Mr. Shao is currently a director of Beijing Gas Yanqing Co., Ltd.* (北京燃氣延慶有限公司) and Beijing Gas Fangshan Co., Ltd.* (北京燃氣房山有限責任公司), which are subsidiaries of Beijing Gas Group, and serves on the supervisory board of China Oil and Gas Pipeline Network Corporation Northern China Natural Gas Pipeline Co., Ltd.* (國家管網集團華北天然氣管道有限公司), an affiliated company of Beijing Gas Group. Mr. Shao obtained a bachelor degree in economics from China Institute of Finance and Banking* (中國金融學院) (now known as the University of International Business and Economics) in 2000 and a master degree in international economics from Université Paris I – Panthéon-Sorbonne, France in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Yulei ("Mr. Cui"), aged 45, has been appointed as an independent non-executive Director since 6 July 2020. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Compliance Committee. Mr. Cui obtained a bachelor degree of Law from Northwest University of Political Science and Law (西北政法大學) in 2000. He has over 20 years of experience in State-owned Assets matters, litigation, arbitration and reconciliation and cross-border investments. Mr. Cui has been an attorney at law at Grandall Law Firm (Beijing) (國浩律師(北京)事務所) since September 2017.

Ms. Hsu Wai Man Helen ("Ms. Hsu"), aged 53, has been appointed as an independent non-executive Director since 6 July 2020. She is also the chairman of each of the Audit Committee and the Compliance Committee and a member of each of the Nomination Committee and the Remuneration Committee. Ms. Hsu graduated from the Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has more than 20 years of experience in accounting. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is currently an independent non-executive director of Richly Field China Development Limited (stock code: 313), China Display Optoelectronics Technology Holdings Limited (stock code: 334) and Perfect Medical Health Management Limited (stock code: 1830), the shares of which are listed on the Main Board of the Stock Exchange and Perfect Optronics Limited (stock code: 8311), a Company listed on GEM of the Stock Exchange. Ms. Hsu was also an independent non-executive director of Circle International Holdings Limited (stock code: CCH) from September 2017 to May 2020, which is listed on the National Stock Exchange of Australia (NSX). She was an independent non-executive director of Harmonicare Medical Holdings Limited (stock code: 1509) from August 2020 to March 2021, a company which was delisted on the Main Board of the Stock Exchange on 25 March 2021.

Mr. Xu Jianwen ("Mr. Xu"), aged 42, has been appointed as an independent non-executive Director since 1 February 2022. He is also a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee. Mr. Xu obtained a Bachelor's Degree in Laws from the Sun Yat-Sen University in June 2005, and a Master's Degree of Common Law from the University of Hong Kong in November 2007. He has extensive work experience in the financial industry. He worked in several financial institutions, including China Merchants Securities (HK) Co., Limited, China Securities (International) Finance Holding Company Limited, Southwest Securities (HK) Financial Management Limited and Dongxing Securities (Hong Kong) Financial Holdings Limited, at which he is principally involved in the management in the aspects of legal, compliance and risk control. Mr. Xu is currently the chief executive officer of China Goldlink Capital Group Limited. Mr. Xu was also a non-executive director of Sansheng Holdings (Group) Co. Ltd. (stock code: 2183) from 11 May 2017 to 1 December 2021, which is listed on the Main Board of the Stock Exchange. Mr. Xu was awarded with the Legal Professional Qualification Certificate in the PRC in February 2009.

SENIOR MANAGEMENT

Mr. Liu Xiaofei ("Mr. Liu"), aged 42, joined the Group in November 2022 as the vice president of the Group. He is mainly responsible for the corporate management of the Group. He obtained a bachelor's degree in inorganic non-metallic materials and a master's degree in educational economics and management from the Beijing University of Science and Technology (北京科技大學) in July 2003 and July 2006 respectively, and obtained a doctorate's degree in educational economics and management from the Beijing Normal University (北京師範大學) in August 2009. Mr. Liu worked successively in the capital operation department and the office of Beijing Gas Group Co., Ltd. (北京市燃氣集團有限責任公司) between 2010 and 2018, involving the drafting and revision of management systems related to the corporate governance structure of investing enterprises, the setup of management and supervision mechanisms for investing enterprises, and the drafting and revision of relevant management systems for the board of directors and general manager office meetings. He has more than 10 years of experience in investing enterprise management, corporate governance, supervision and management for corporate board of directors and board of supervisors, etc. In addition to supervising the corporate management and planning department of the Group, Mr. Liu is also responsible for the discipline inspection and supervision functions of the Group.

Ms. Annie Chen ("Ms. Chen"), aged 43, has been appointed as the Company Secretary of the Company since 16 January 2021 and has been the vice president of the Group since 25 May 2021. Ms. Chen is a practising solicitor in Hong Kong with extensive experience in legal and company secretarial matters.

Mr. Cai Jianfeng ("Mr. Cai"), aged 54, has been the vice president of the Group since 14 October 2019. He graduated from Fujian University of Technology in 1989, majoring in business management. He has a long-term position in management of foreign enterprises and state-owned enterprises. Mr. Cai has more than 10 years of experience in senior management in trading and logistics of LNG, project development of LNG and safe operation in several energy companies, and has extensive experience in corporate investment management and corporate governance.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 Listing Rules. The Group has adopted practices which meet the CG Code during FY2022. The Company has complied with the code provisions set out in the CG Code throughout FY2022, save as disclosed in the attendance table on page 24 of this annual report.

BOARD OF DIRECTORS

Board's Conduct of its Affairs

The Company is effectively headed by the Board to lead and control it. Apart from its statutory duties and responsibilities, the Board is collectively responsible for the success of the Group and it works with management to achieve this. The management is responsible for the management and administrative functions on running the day-to-day operations of the Group delegated by the Board and remains accountable to the Board. The Board oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the executive Directors. The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic goals, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

2. establishing a framework of prudent and effective control which enables risk to be assessed and managed;

3. reviewing management performance and direction of the Group's business strategies;

4. setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met with the aim to maximize the shareholder value and long-term success of the Company;

5. ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and its internal code of conduct;

6. ensuring the Group's compliance with good corporate governance practices; and

7. approving half-year and full-year results announcements.

The Company has adopted internal guidelines setting forth matters that require the Board's approval, examples of which include corporate plans and budgets, material acquisitions and disposals of assets, share issuances, dividends and other distributions to shareholders. All Directors objectively make decisions in the interests of the Company. The Board also delegates certain of its functions to the Audit Committee, Nomination Committee, Remuneration Committee, the Executive Committee and the Compliance Committee (each a "**Committee**") and these functions are described separately under the various sections of each Committee below. Each Committee has its own defined terms of reference and operating procedures.

The Board scheduled to meet at least 4 times a year and as and when warranted by circumstances. The Company's bye-laws ("**Bye-laws**") allow a Board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. Draft agenda for the Board meetings will be circulated to all Directors to enable them to include any other matters in the agenda. The meeting papers will be sent to all Directors at least 3 days in advance or within reasonable time prior to the Board meetings. Minutes of Board meetings and Committee meetings, drafted in sufficient details, were circulated to all Directors for their comment and records.

If any Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, that Director will abstain from voting at such Board meeting.

Directors' attendance at Board Meetings, Committee Meetings and General Meetings

The number of meetings held in FY2022 and the attendance of the Directors (including both physical presence and attendance via telephone conference as permitted by the Bye-laws then in force) are set out in the table below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Executive Committee Meeting	Compliance Committee Meeting	General Meeting
Mr. Li Weiqi	9/9	–	–	–	15/15	–	0/2
Mr. Jin Qiang (Resigned on 31 May 2022)	5/5	–	–	–	4/4	–	0/1
Ms. Yang Fuyan (Resigned on 19 August 2022)	5/5	–	–	–	7/11	–	0/1
Mr. Ye Hongjun (Resigned on 31 May 2022)	5/5	–	–	–	4/4	–	0/1
Mr. Chen Ning (Appointed on 1 June 2022)	4/4	–	–	–	11/11	–	1/1
Mr. Wu Haipeng (Appointed on 16 November 2022)	–	–	–	–	1/1	–	–
Mr. Yeung Shek Hin (Appointed on 1 July 2022)	4/4	–	–	–	6/6	1/1	1/1
Mr. Zhi Xiaoye	9/9	–	5/5	–	–	–	0/2
Mr. Shao Dan (Appointed on 30 December 2022)	–	–	–	–	–	–	–
Mr. Ma Arthur On-hing (Resigned on 1 February 2022)	2/2	1/1	1/1	1/1	–	–	–
Mr. Cui Yulei	9/9	5/5	5/5	5/5	–	1/1	0/2
Ms. Hsu Wai Man Helen	9/9	5/5	5/5	5/5	–	1/1	2/2
Mr. Xu Jianwen (Appointed on 1 February 2022)	7/7	4/4	4/4	4/4	–	1/1	2/2

Note:

The attendance figure represents actual attendance/the number of meetings a Director is entitled to attend.

BOARD COMPOSITION

The Directors during FY2022 and up to the date of this report are as follows:

Executive Directors
Mr. Li Weiqi *(Chief Executive Officer)*
Mr. Jin Qiang (Resigned on 31 May 2022)
Ms. Yang Fuyan (Resigned on 19 August 2022)
Mr. Ye Hongjun (Resigned on 31 May 2022)
Mr. Chen Ning *(Chief Financial Officer)* (Appointed on 1 June 2022)
Mr. Wu Haipeng (Appointed on 16 November 2022)
Mr. Yeung Shek Hin (Appointed on 1 July 2022)

Non-executive Directors
Mr. Zhi Xiaoye *(Chairman of the Board)*
Mr. Shao Dan (Appointed on 30 December 2022)

Independent Non-executive Directors
Mr. Ma Arthur On-hing (Resigned on 1 February 2022)
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen (Appointed on 1 February 2022)

The biographical details of each of the current Directors are set out on pages 19 to 22 under the section headed "Biographies of Directors and Senior Management" of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number and gender of Directors upon effectiveness in decision making, is of the view that it has maintained a balanced composition of executive Directors and non-executive Directors which induce a strong independent element to the Board during FY2022. The Board exercises judgment on corporate affairs objectively and independently, in particular, from management and no individual or small group of individuals dominates the Board's decision-making.

The independent non-executive Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills, age, culture and experience are extensive and complementary, and these competencies include accounting, finance and business management and legal knowledge who provide valuable advice to the Board. None of the independent non-executive Directors has any relationship with the Company, its related companies or its officers that could interfere, or be perceived to interfere with the exercise of their independent business judgment in the best interests of the Company.

The independent non-executive Directors constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

During FY2022, the Company has at all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of sufficient number of independent non-executive Directors and is having independent non-executive Directors with relevant professional qualifications or accounting or relating financial management expertise.

The independence of independent non-executive Directors is assessed upon appointment, annually, and at any other time where the circumstances require reconsideration. The Company has received from each of Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen an annual confirmation of his/her independence as required under Rule 3.13 of the Listing Rules and considers that all these Directors remain independent.

Appointment and Re-election of Directors

The procedures for appointment, re-election and removal of Directors have been set out in the Bye-laws. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of Directors, monitoring appointment and succession planning of the Directors, and assessing independence of the independent non-executive Directors as detailed below under the sub-section headed "Nomination Committee".

The non-executive Directors (including independent non-executive Directors) have been appointed for a specific term of services and are subject to retirement by rotation and re-election, if eligible, in accordance with the Bye-laws.

Mr. Zhi Xiaoye, being the non-executive Director, was appointed with the initial term of three years up to 10 May 2019 and shall be automatically renewed annually thereafter and may be terminated by not less than three months' notice in writing served by either party.

Mr. Shao Dan, being the non-executive Director, was appointed with the initial term of three years up to 29 December 2025 and shall be automatically renewed annually thereafter and may be terminated by not less than three months' notice in writing served by either party.

Each of Mr. Cui Yulei and Ms. Hsu Wai Man Helen, being the independent non-executive Director, was appointed on 6 July 2020 for a term of three years and the term of appointment shall be automatically renewed annually for such annual period thereafter unless otherwise terminated by not less than three months' notice in writing served by each party on the other.

Mr. Xu Jianwen, being the independent non-executive Director, was appointed on 1 February 2022 for a term of three years and the term of appointment shall be automatically renewed annually for such annual period thereafter unless otherwise terminated by not less than three months' notice in writing served by each party on the other.

All Directors will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During FY2022 and as at the date of this report, Mr. Zhi Xiaoye acts as chairman of the Board and a non-executive Director and Mr. Li Weiqi, an executive Director, acts as the Chief Executive Officer. The division of responsibilities of the chairman of the Board and Chief Executive Officer is clearly established and set out in writing.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, all Directors were encouraged to participate in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development could be completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors' duties. All current Directors are requested to provide the Company with their respective training records for FY2022 pursuant to the CG Code as follows.

Directors	**Reading materials on the relevant rules and regulatory updates**	**Training session on the relevant rules and regulatory updates**
Executive Directors		
Mr. Li Weiqi		✓
Mr. Chen Ning	✓	✓
Mr. Wu Haipeng	✓	✓
Mr. Yeung Shek Hin	✓	✓
Non-executive Directors		
Mr. Zhi Xiaoye		✓
Mr. Shao Dan	✓	
Independent non-executive Directors		
Mr. Cui Yulei		✓
Ms. Hsu Wai Man Helen		✓
Mr. Xu Jianwen	✓	✓

BOARD COMMITTEES

Executive Committee

The Executive Committee ("**EC**") during FY2022 and up to the date of this report comprises the following Directors:

Chairman	
Mr. Li Weiqi	*Executive Director*
Member	
Mr. Jin Qiang (Resigned on 31 May 2022)	*Executive Director*
Ms. Yang Fuyan (Resigned on 19 August 2022)	*Executive Director*
Mr. Ye Hongjun (Resigned on 31 May 2022)	*Executive Director*
Mr. Chen Ning (Appointed on 1 June 2022)	*Executive Director*
Mr. Wu Haipeng (Appointed on 16 November 2022)	*Executive Director*
Mr. Yeung Shek Hin (Appointed on 1 July 2022)	*Executive Director*

The EC was established on 12 November 2012 as a committee under the Board. It is delegated with the authority by the Board and is required to report to the Board on a regular basis. The EC is made up of all the executive Directors and with the Chief Executive Officer appointed as its chairman.

During FY2022, the EC held 15 meetings to handle the daily affairs of the Company.

Duties

The EC is mainly responsible for handling and supervision of the daily administration, management and operation of the Group.

Powers

The EC shall have powers as below:

1. To arrange, conduct, sign, execute, handle and approve any matters, activities, affairs, codes, policies, procedures, guidelines, contracts, agreements and/or transactions that meet the following conditions and that are related to the Company's administration and operations, excluding reports, announcements, approvals from the Board and/or shareholder in accordance with Listing Rules, Bye-laws or Bermuda Companies Act:

    (A) Matters relating to the Group's general and/or day-to-day business and operations, risk management, internal control, insurance, personnel management and compliance;

    (B) Matters in compliance with the Bye-laws or in relation to the course of the Group's general and/or day-to-day business and operations; and

    (C) Matters that have been approved by the shareholders and the Board of the Company.

2. To comply with any statutory or non-statutory requirements, instructions, rules or regulations as prescribed from time to time by the Board of directors and contained in the Bye-laws, and/or as prescribed from time to time by any governmental, regulatory, advisory or consulting departments, agencies, enterprises, units or organizations in the seat of any jurisdiction;

3. To authorise any person to or a subcommittee composed of the officers of the Group to exercise any responsibilities, duties, functions and/or powers of the EC, however, subject to compliance of the Listing Rules, the Bye-laws and the Bermuda Companies Act and as the EC thinks fit or proper, at any time and from time to time;

4. To do and sign any acts, issues, matters and/or documents in order to execute, perform, and implement the aforesaid responsibilities, duties, functions and/or powers, or the responsibilities, duties, functions and/or powers as approved, authorized, conferred and/or granted by the shareholders or the Board of Directors of the Company from time to time, when the EC considers it necessary, fit or proper,

5. To deal with such matters as the Board of Directors may from time to time authorize to the EC;

6. To approve the leases of the existing and/or new office premises (if any);

7. To deal with the exercise and invalidation of stock options and/or warrants;

8. To approve the transfer and conversion of convertible notes into shares at the request of the holders of such notes;

9. To approve the opening and closing of bank accounts and securities accounts;

10. To procure and accept borrowing facilities or loans;

11. To complete and publish announcements regarding the results of voting at general meetings;

12. To complete and publish emergency announcements and ad hoc matters after obtaining verbal agreements from all Directors;

13. May exercise all the powers of the Company to raise money or borrow loans and to mortgage or pledge all or any part of the Company's business, current and future properties, assets and uncalled share capital, and subject to the Bermuda Companies Act, to issue bonds, debentures and other securities as full or subsidiary collaterals for the debts, liabilities or obligations of the Company or any third party; and

14. May authorise the provision of guarantees for the financial leasing and/or mortgage loans of the Company's subsidiaries to any third party.

Compliance Committee

The Compliance Committee ("**CC**") during FY2022 and up to the date of this report comprises the following Directors:

Chairman	
Ms. Hsu Wai Man Helen	*Independent non-executive Director*
Member	
Mr. Yeung Shek Hin	*Executive Director*
Mr. Cui Yulei	*Independent non-executive Director*
Mr. Xu Jianwen	*Independent non-executive Director*

The CC was established on 1 July 2022 as a committee under the Board. It is delegated with the authority by the Board and is required to report to the Board on a regular basis. The CC is made up of all the independent non-executive Directors and one executive Director who is responsible for compliance matters, with the chairman of the Audit Committee shall be appointed as CC's chairman.

During FY2022, the CC held 1 meeting to consider and discuss the annual internal audit plan of the Group.

Duties

The CC is mainly responsible for formulating and monitoring the Group's policies and practices on compliance with legal and regulatory requirements and assisting the Board to review the overall corporate governance functions of the Group.

Powers

The CC shall have powers as below:

1. to formulate, review, approve and monitor the Group's policies and practices on compliance with legal and regulatory requirements. Such responsibility may be delegated to the chief financial officer or the company secretary in collaboration with respective staff and external consultant(s);

2. to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

3. to assist the Audit Committee in overseeing the Group's corporate governance functions and where appropriate, provide recommendations to the Audit Committee on the Group's corporate governance procedures and practices;

4. to review and monitor the training and continuous professional development of directors and senior management of the Company and its subsidiaries;

5. to develop, review and monitor the codes of conduct applicable to the employees and directors of the Company and its subsidiaries;

6. to identify, address and rectify any potential and non-compliance issues in respect of, in relation to, in connection with or involving any member or employee of the Group (with the assistance of professional advisers engaged by the Group, if applicable);

7. to receive and handle any actual or suspected non-compliance matters reported by the employees of the Group and if necessary, engage external professional advisers to assist in the preparation of reports and recommendations in respect of such actual or suspected non-compliance matters;

8. to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and disclosures in the Company's corporate governance report;

9. to review the Company's compliance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules and disclosures in the Company's environmental, social and governance report; and

10. to prepare and submit a summary report every half-yearly to the Board on the overall compliance performance and corporate governance practices of the Group. A copy of the summary report shall be sent to the Audit Committee for its information.

Nomination Committee

The members of the Nomination Committee ("**NC**") during FY2022 and up to the date of this report comprises the following Directors:

Chairman	
Mr. Zhi Xiaoye	*Chairman of the Board and non-executive Director*
Member	
Mr. Ma Arthur On-hing (Resigned on 1 February 2022)	*Independent non-executive Director*
Mr. Cui Yulei	*Independent non-executive Director*
Ms. Hsu Wai Man Helen	*Independent non-executive Director*
Mr. Xu Jianwen (Appointed on 1 February 2022)	*Independent non-executive Director*

The NC currently consists of four Directors, the majority of whom are independent non-executive Directors and the chairman of the NC is a non-executive Director and chairman of the Board. The NC is scheduled to meet at least once a year. The NC is regulated by a set of terms of reference and its role is to establish a formal and transparent process for:

1. reviewing the structure, size and composition (including the gender, age, skills, knowledge and experience) of the Board annually and making recommendations to the Board on all Board appointments;

2. making recommendations to the Board on the re-appointment of the Directors having regard to each Director's contribution and performance, including, if applicable, the independent non-executive Director;

3. assessing the independence of independent non-executive Directors; and

4. deciding whether or not a Director is able to carry out and has adequately carried out his duties as a Director.

Nomination Policy

In the selection and nomination of new Directors, the NC shall consider the following criteria:

1. Character and integrity;

2. Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

3. Willing to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

4. Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

5. Board diversity policy and any measurable objectives adopted by the NC for achieving diversity on the Board; and

6. Such other perspectives appropriate to the Company's business.

Nomination Procedures

Appointment of New Directors

1. The NC shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the above criteria to determine whether such candidate is qualified for directorship.

2. If the process yields one or more desirable candidates, the NC shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

3. The NC shall then recommend to appoint the appropriate candidate for directorship.

4. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the NC shall evaluate such candidate based on the above criteria to determine whether such candidate is qualified for directorship and where appropriate, the NC and/or the Board shall make recommendation to shareholders in respect of the proposed election at the general meeting.

Re-election of Directors at General Meeting

1. The NC shall review the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

2. The NC shall also review and determine whether the retiring director continues to meet the above criteria.

3. The NC and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

During FY2022, the NC has held five meetings to review the structure, size and composition of the Board; recommends the appointment of new Directors; review the Board's performance; and recommend the re-election of the Directors in the 2022 AGM.

Board Diversity

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board is characterised by significant diversity in terms of professional background and skills and has one female Director, therefore, the composition of the Board is reasonably diversified in terms of gender, age, professional background and skills. As at 31 December 2022, the male and female of all staff (including the senior management) of the Group accounted approximately 66% and approximately 34% respectively. We will continue to maintain gender diversity among all our staff as the goal and review our policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

During FY2022, the Board has reviewed the implementation and effectiveness of the Board diversity policy.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, and length of service) will be disclosed in the corporate governance report of the Company annually.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC.

New Directors are appointed by way of a board resolution, after the NC has approved their nominations. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Pursuant to the Bye-laws, all Directors are required to offer themselves for re-election at least once every three years.

Although some of the independent non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. As such, the NC has not established a maximum number of listed company board representations and/or other principal commitments which Directors may hold. The NC will regularly monitor the competing time commitments faced by these Directors serving on multiple boards.

Remuneration Committee

The Remuneration Committee ("**RC**") during FY2022 and up to the date of this report comprises the following Directors:

Chairman	
Mr. Cui Yulei	*Independent non-executive Director*
Member	
Mr. Ma Arthur On-hing (Resigned on 1 February 2022)	*Independent non-executive Director*
Ms. Hsu Wai Man Helen	*Independent non-executive Director*
Mr. Xu Jianwen (Appointed on 1 February 2022)	*Independent non-executive Director*

The RC currently consists of all the independent non-executive Directors so as to minimise the risk of any potential conflict.

The RC is scheduled to meet at least once a year. During FY2022, the RC has consulted the chairman of the Board and Chief Executive Officer in recommending other executive Directors' remuneration, and five meetings of the RC was held to review the Directors' fees and remuneration of the executive Directors and recommend the remuneration of the Directors to be appointed. The RC is regulated by a set of terms of reference and has access to professional advice inside the Company and independent external sources, if necessary, in respect of the remuneration of all Directors and key executives.

The RC's main duties are:

1. to review and recommend to the Board for its decision a framework of remuneration and to determine and/or review the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the Board; and

2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

As part of its review, the RC shall ensure that:

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses and benefits-in-kind are covered;

2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that for executive Directors, a significant proportion of such remuneration packages include performance-related elements;

3. the performance-related elements mentioned above are designed to align interests of executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of executive Directors;

4. the level of remuneration of non-executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that non-executive Directors are not over-compensated to the extent that their independence may be compromised;

5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and

6. the remuneration package of employees related to executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company adopts a formal and transparent procedure for developing policy on key executive remuneration and for fixing remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account the emolument and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Director or key executive.

Executive Directors do not receive directors' fees. The remuneration policy for executive Directors and key executives consists of two components, being fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises a performance bonus which, for executive Directors, forms a significant proportion of their total remuneration package and is payable on the achievement of corporate and individual performance targets.

The independent non-executive Directors are paid a basic fee. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Such fees are pro-rated if the Directors serve for less than one year. The Board seeks authorization from shareholders to fix the remuneration of Directors at the AGM.

The executive Directors are paid in accordance with their respective service agreements. These service agreements do not have onerous removal clauses. The executive Directors may terminate the service agreement by giving to the other party not less than two to six months' notice in writing, or in lieu of notice, payment of an amount equivalent to two to six months' salary based on the executive Director's last drawn salary. Details of the remuneration payable to the Directors and five highest paid individuals of the Group during FY2022 are set out in note 10 to the consolidated financial statements.

No emoluments were paid by the Group to any of the Directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration in FY2022.

Audit Committee

The Audit Committee ("**AC**") during FY2022 and up to the date of this report comprises the following Directors:

Chairman	
Ms. Hsu Wai Man Helen	*Independent non-executive Director*
Member	
Mr. Ma Arthur On-hing (Resigned on 1 February 2022)	*Independent non-executive Director*
Mr. Cui Yulei	*Independent non-executive Director*
Mr. Xu Jianwen (Appointed on 1 February 2022)	*Independent non-executive Director*

The AC currently consists of all the independent non-executive Directors. The AC is scheduled to meet at least twice a year. The AC is regulated by a written set of terms of reference and performs the following functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the Board;

2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination;

3. reviewing adequacy and effectiveness of the Group's risk management and internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal/external auditors;

4. ensuring co-ordination between the internal and external auditors;

5. reviewing the adequacy and effectiveness of the Group's internal audit function;

6. nominating or recommending the nomination of the external auditors for appointment, re-appointment or removal;

7. approving the remuneration and terms of engagement of the external auditors;

8. reviewing the independence and objectivity of the external auditors at least annually; and

9. reviewing interested person transactions.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. A member has accounting or related financial management expertise and experience.

The external and internal auditors have full access to the AC. The AC has expressed power to commence investigations into any matters, which has or is likely to have material impact on the Group's operating results or financial results.

For FY2022, the AC met three times with the external auditors. The AC has undertaken a review of all non-audit services provided by the external auditors for FY2022, has kept the nature and extent of such services under review, has balanced the maintenance of objectivity and value for money and is satisfied that the provision of such services has not, in the AC's opinion, affected the independence of the external auditors.

The work completed by the AC during FY2022 and in the course of review of the Group's half-yearly and annual results included consideration of the following matters:

1. the integrity and accuracy of the 2021 annual financial statements and interim results for 2022 to ensure that the information presents a true and balanced assessment of the financial position of the Group;

2. the Group's compliance with statutory and regulatory requirements;

3. developments in accounting standards and the effect on the Group;

4. the Group's financial and accounting policies and practices;

5. the Group's financial controls, the risk management and internal control systems to ensure that management has discharged its duty to have an effective risk management and internal control systems;

6. monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and discussing with the external auditors the nature and scope of the audit and reporting obligations;

7. the audit fees payable to external auditors and the scope and timetable of the audit for the Year;

8. discussion with auditor for financial results and financial position of the Group for the Year; and

9. recommendations to the Board, for the approval by shareholders, for the reappointment/appointment of the external auditors.

Auditor's Remuneration

For the year ended 31 December 2022, Ernst & Young charged the Group of HK$5,980,000 for the provision of audit services and HK$9,994,000 for the provision of non-audit services. Non-audit services comprised advisory services of the internal control, tax advisory services and corporate financial advisory services, etc.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which shall include, but not limited to, the following:

1. to develop and review the Company's corporate governance policies and practices;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Company's policies and practices in relation to compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct applicable to the Directors and employees of the Group; and

5. to review the Company's compliance with the CG Code and the disclosure in the corporate governance report of the Company as required under the Listing Rules.

Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with management accounts and all relevant information which present a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board meetings and Board committee meetings to answer queries and provide detailed insights into their areas of operations. The Board, either individually or as a group, also has separate and independent access to the senior management staff.

The Board, either individually or as a group, in the discharge of its duties, has access to independent professional advice, if necessary, at the Company's expense.

The Board members have separate and independent access to the company secretary. Under the direction of the Chairman, the company secretary ensures good information flow within the Board and its committees and between management and non-executive Directors, as well as facilitates orientation and assists with professional development as required. The company secretary attends all Board meetings and committees' meetings and advises the Board on all governance matters and assists the Board to ensure that the Board procedures and relevant rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the Board as a whole.

The minutes of Board meetings recorded the matters considered by the Board in details. The minutes of all board meetings and all other committee meetings are kept by the company secretary and are available for inspection by any Director upon request.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements for FY2022 set out on pages 66 to 171 of this report were prepared on a going concern basis and were prepared in accordance with all relevant statutory requirements and applicable accounting standards.

The Board has received assurance from the Chairman of the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finance.

Risk Management and Internal Control

Risk management and internal control are essential parts of corporate governance. The Board acknowledges that it is its responsibility to ensure that appropriate and effective risk management and internal control systems are established and maintained, and to oversee the systems on an ongoing basis and to review the effectiveness of the risk management and internal control systems at least annually, while management ensures sufficient and effective operational controls over the key business processes are properly implemented with regular reviews and updates.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving its strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

To ensure that all major risks are properly identified, evaluated and monitored for achieving a sound and effective risk management system, risk owners across the Group are required to report the risk review exercises regularly. They need to report the effectiveness of the risk management system and details of the key risks including the risk description, change of risk level, current risk level and the corresponding key risk control regularly.

The Company has established its risk management guidelines and has delegated certain finance personnel to carry out the internal audit personnel reports directly to the chief financial officer and/or financial controller and ensure the risk management and internal control systems are in place and function properly.

The Group has established an Audit and Supervision Department, which is responsible for reviewing the effectiveness of the Group's internal control systems, systems and procedures, and reporting its findings and recommendations to the AC. The Audit and Supervision Department will formulate an internal audit plan every year to conduct regular independent audit on the business activities of the Group and its subsidiaries to identify any violations and risks, so as to identify risks that have potential impact on the Group's business and various areas (including major operations, finance, engineering, and investment management), formulate action plans, make recommendations and follow up actions to address identified risks, and submit annual reports on the Group's internal control to the AC.

In addition, the Group has engaged independent professional consultants to assess the effectiveness of the risk management and internal control systems throughout FY2022, covering important control aspects, including financial, operational and compliance controls and risk management functions. The Board and the AC confirmed that they have reviewed the effectiveness of the Group's risk management and internal control systems throughout FY2022.

The risk management and internal control process includes:

1. To determine the scope, identify risks and compile risk lists;

2. To conduct the risk assessment on the impact on operating efficiency, sustainable development capability and creditworthiness and prioritise them according to the generally accepted risk management framework and based on the likelihood of various potential risks and the concern of the Group's management along with potential financial loss resulting from risks;

3. To identify risk management measures of significant risks, conduct internal control assessment on the design and implementation of risk management measures, formulate measures against deficiencies for improvement;

4. To regularly review and summarise the risk management and internal control system of the Group to unleash and continuously enhance the effectiveness of risk management through carrying out internal control assessment on significant risks and implementing rectification measures by the management;

5. To prepare risk management system in connection with the risk management and internal control work, define the responsibilities of the management, the Board and the AC in the risk management work, and continuously monitor the risk management and internal control system according to the risk management manual;

6. To report the results of regular review and assessment on the risk management and internal control system during the reporting period, significant risk factors and the corresponding measures to the AC by the management.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirmed that, based on the significant internal control deficiencies revealed by the forensic investigation results, the recommendation to review and improve the internal control system has been accepted. For further details of the forensic investigation and recommendations on the Group's internal control system, please refer to the Company's announcement dated 29 September 2021. Announcements regarding the progress and results of the internal control assessment have also been published on 30 November 2021, 19 April 2022 and 17 June 2022, respectively.

Whistleblowing Policy

The Group has established whistleblowing procedures and reporting channel for employees and public to raise concerns and complaints to the Audit and Supervision Department when they identify any possible improprieties within the Group who will handle, investigate and follow up these concerns and complaints. The identity of the whistleblower will be kept in the strictest confidence.

Anti-Corruption Policy

The Group adopts a zero-tolerance approach to any unethical behaviour such as bribery, extortion, fraud and money laundering, and actively strengthens the Group's culture and integrity and maintains a fair and ethical business and working environment. The Company has established anti-corruption policy to uphold high standards of integrity, honesty and transparency in all its business dealings.

The significant risks set out below are those that could result in the Group's businesses, financial condition and results of operations differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those listed below which may not be material now but could turn out to be material in the future.

Changes in government policies and legislations

Any changes in the government policies and legislations such as pricing modification, licensing requirements and tax regulations may adversely and materially affect the Group's financial condition and results of operations. There can be no assurance that the future conditions are no less favourable than the prevailing environment.

Production safety

Any errors appear in operation process of refuelling station, construction of natural gas connection pipelines and supply of piped gas may adversely and materially affect the stability of gas supply to customers or may cause significant personal injury or death.

Financing environment stability

Additional capital may be required to fund our capital expenditure associated with our expansion plan such as proposed acquisition and construction of refuelling stations as well as the expansion of existing business coverage within our existing market. There can be no assurance that we will be able to obtain adequate financing on acceptable terms, or at all.

Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The management will perform ongoing and periodic monitoring of the risks and ensure that appropriate responses and controls are in place.

Inside information

The Company recognises its obligations under the Securities and Futures Ordinance ("**SFO**") and the Listing Rules, pursuant to which the Company is required to announce the inside information immediately after such information comes to its attention. The Company conducts its affairs with reference to the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission and regularly reminds the Directors and employees of the compliance with Listing Rules and other regulatory requirements for the handling and dissemination of inside information.

DIRECTORS' DEALINGS IN SECURITIES

The Board has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standard as set out in the Model Code throughout FY2022.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of interested person and related party transactions of the Group for FY2022 which fall under Chapter 14A of the Listing Rules are set out in note 44 to the consolidated financial statements.

COMPANY SECRETARY

Ms. Annie Chen ("**Ms. Chen**") was appointed as company secretary on 16 January 2021. Ms. Chen has taken no less than 15 hours of relevant professional training during FY2022. The biography of Ms. Chen is set out in the section headed "Biographies of Directors and Senior Management".

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the need to communicate regularly, effectively, timely and fairly with its shareholders on all material matters affecting the Group. Information would be communicated to shareholders mainly through the Company's corporate communications including interim and annual reports, announcements and circulars, all of which are released through the Stock Exchange's website at www.hkexnews.hk, and the Company's website at www.bgbluesky.com. The Company may also hold media meetings on significant events.

All shareholders of the Company receive the annual report and notice of the upcoming AGM. At the AGMs, shareholders are encouraged to participate and are given the opportunity to voice their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are also put to vote by poll. The external auditors and legal advisors (if necessary) are present to assist the Directors in addressing any queries by shareholders. In addition, the chairman of the AC, NC and RC are present to address questions at the AGM. The Directors will also engage in investor relations activities to allow the Company to communicate with shareholders as and when it deems necessary and appropriate.

Apart from the AGMs, the Company also regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company strives to be as descriptive, detailed and forthcoming as possible.

The Company records minutes of all AGMs and questions and comments from shareholders together with the respective responses are also recorded.

SHAREHOLDERS' RIGHTS

(i) Communications with the Company

The Company is committed in engaging constructive communication with its shareholders through a variety of channels, including through its corporate communications, website, general meetings and investor relations activities. Shareholders who wish to put enquiries to the Board may send communications to: The Board of Directors c/o Investor Relations Department of the Company, by post to the office of the Company in Hong Kong. All communications will be forwarded to the Board or the individual Directors on a regular basis.

(ii) Shareholders to convene a Special General Meeting

Pursuant to Bye-law 57 of the Bye-laws, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

(iii) Procedures for putting forward proposals at general meetings

There is no provision in the Bye-laws for the shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph.

(iv) Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's office in Hong Kong. The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

(v) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the office of the Company in Hong Kong or by email ir@bgbluesky.com for the attention of the Board of Directors c/o Company Secretary or Investor Relations Department of the Company.

Shareholders desiring to request circulation of resolution for a general meeting should send the request in writing to the Company in due time before the meeting. If the matter to be considered requires a special notice, the proposed resolution must be given to the Company not less than 28 days before the general meeting at which it is moved. The Company will, in accordance with its obligations under the applicable laws and regulations, provide necessary information either in a supplementary circular or by way of an announcement and, if necessary, adjourn the relevant general meeting for informing all shareholders.

CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at the annual general meeting held on 31 May 2022 to amend and adopt the amended Bye-laws of the Company in order to (i) bring the Bye-laws in alignment with the Core Shareholder Protection Standards set out in Appendix III to the Listing Rules and make corresponding changes to the Bye-laws; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of Bermuda and the Listing Rules; and (iv) incorporate certain other consequential and housekeeping amendments (including update of the company name effective from 9 December 2016 and removal of provisions which are no longer applicable following the voluntary delisting of the Shares from the Main Board of the Singapore Exchange Securities Trading Limited in 2018) (collectively the "**Amendments**"). Details of the Amendments were set out in the circular of the Company dated 29 April 2022.

The Bye-laws are available through the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.bgbluesky.com.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 ("**FY2022**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in (i) development and operation of city gas projects; (ii) direct supply of LNG to industrial end users; (iii) trading and distribution of CNG and LNG; and (iv) operating CNG and LNG refuelling stations for vehicles. The Group's operations based in the People's Republic of China (the "**PRC**"), including Hong Kong. The principal activities of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the FY2022 and a discussion on the Group's future business development are set out in Chairman's Statement as well as the Management Discussion and Analysis on pages 3 to 4 and pages 5 to 18 of this annual report. A discussion on the Group's environmental policies are set out in the Environmental, Social and Governance Report. An analysis of the Group's performance during the FY2022 using financial key performance indicators is set out in the Management Discussion and Analysis on pages 5 to 18 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2022, to the best of the Directors' knowledge, the Group has not been subject to any fines and/or penalties which had a material adverse impact on our business and operations as a result of our non-compliance with the laws and regulations.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that employees, suppliers and customers are crucial for the Group's sustainable development. We strive to maintain a close relationship with our employees and provide them with a competitive remuneration package and opportunities within the Group for career advancement. We commit to provide high quality products and services to our customers in order to enhance our competitiveness and strengthen the cooperation with our suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to certain market risk such as interest rate risk, credit risk and liquidity risk. The details are set out in note 47 to the consolidated financial statements. The Group's financial condition and results of operations would be affected by a number of factors. The principal risks and uncertainties relating to the Group are set out in the Corporate Governance Report of this annual report.

RESUMPTION OF TRADING IN SHARES

As disclosed in the Company's announcement dated 22 July 2022, as all the resumption guidance issued by the Stock Exchange were fulfilled, the Company 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. Accordingly, trading in the Company's Shares resumed on the Stock Exchange on 25 July 2022.

RESULTS AND DIVIDENDS

The results of the Group for FY2022 and the Group's financial position as at 31 December 2022 are set out in the consolidated financial statements on pages 66 to 72.

The Directors do not recommend the payment of final dividend for FY2022 (2021: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 172 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment, investment properties and right-of-use assets of the Group during FY2022 are set out in notes 14, 15 and 16 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements of the Company's share capital are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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

During FY2022, save for the issuance and allotment of the subscription shares and consideration shares under the Capital and Asset Injection Plan as disclosed in this annual report neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Save for agreements (in particular, the Convertible Bond Subscription Agreement) under the Capital and Asset Injection Plan as disclosed in this annual report, no equity-linked agreements were entered into during FY2022 or subsisted at the end of FY2022.

RESERVES

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be distributed in the form of fully paid bonus shares.

Merger reserve

Details of movements in the reserves of the Group and the Company are set out in consolidated statements of changes in equity and note 38 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2022, sales to the Group's five largest customers accounted for 13.7% of the total sales for the Year and sales to the largest customer included therein amounted to 7.1% of total sales. Purchases from the Group's five largest suppliers accounted for 76.9% of the total purchases for FY2022 and purchases from the largest supplier included therein amounted to 47.8% of total purchases. None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS

The Directors during FY2022 and up to the date of this report are:

Executive Directors

Mr. Li Weiqi *(Chief Executive Officer)*
Mr. Jin Qiang (Resigned on 31 May 2022)
Ms. Yang Fuyan (Resigned on 19 August 2022)
Mr. Ye Hongjun (Resigned on 31 May 2022)
Mr. Chen Ning *(Chief Financial Officer)* (Appointed on 1 June 2022)
Mr. Wu Haipeng (Appointed on 16 November 2022)
Mr. Yeung Shek Hin (Appointed on 1 July 2022)

Non-executive Directors

Mr. Zhi Xiaoye *(Chairman of the Board)*
Mr. Shao Dan (Appointed on 30 December 2022)

Independent non-executive Directors

Mr. Ma Arthur On-hing (Resigned on 1 February 2022)
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen (Appointed on 1 February 2022)

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr. Zhi Xiaoye, Mr. Li Weiqi and Ms. Hsu Wai Man Helen will retire by rotation at the forthcoming AGM. In accordance with Bye-law 85(2) of the Bye-Laws, Mr. Chen Ning, Mr. Wu Haipeng and Mr. Yeung Shek Hin will also retire at the forthcoming AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, and still considers them to be independent.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the FY2022 was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and the senior management of the Group are set out on pages 19 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2022, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' service agreements are set out on page 35 of this annual report.

PERMITTED INDEMNITY PROVISIONS

During FY2022 and up to the date of this report, the Company has in force the permitted indemnity provisions which are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and cost associated with legal proceedings that may be brought against the Directors.

EMOLUMENT OF DIRECTORS AND EMPLOYEES

The Group's employees are selected, remunerated and promoted based on their merit, qualifications and competence. The Directors' remuneration is subject to approval by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During FY2022, the five individuals with the highest remuneration in the Group are two Directors and three individuals. Details of the highest paid individuals are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No Director had a material interest, either directly or indirectly, in any transactions, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or its subsidiaries was a party subsisting during or at the end of FY2022.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a Controlling Shareholder was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2022 or at any time during FY2022.

MANAGEMENT CONTRACTS

No contract, other than service and/or employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during FY2022.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During FY2022 and up to the date of this annual report, the two non-executive Directors, Mr. Zhi Xiaoye and Mr. Shao Dan, are also director of Beijing Gas Group and certain subsidiaries of Beijing Gas Group respectively, which is the Controlling Shareholder of the Company, principally engaged in supplying and selling piped natural gas and related businesses in Beijing. Save as disclosed above, none of the Directors has any interest in a business which competes or may compete with the business of the Group under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, none of the Directors or chief executive of the Company and their associates had any interests or short positions in the Shares, warrants, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code ("**Model Code**") contained in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, persons/corporations (other than the Directors and the chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Interest in shares of the Company

Name	**Capacity**	**Number of Shares** (Note 1)	**Approximate percentage of shareholding at 31/12/2022** (Note 3)
Beijing Gas Company Limited (Note 2)	Beneficial owner	15,091,042,131 (L)	66.37%
Beijing Gas Group Co., Ltd (Note 2)	Interest of controlled corporation	15,091,042,131 (L)	66.37%
Beijing Enterprises Group Company Limited (Note 2)	Interest of controlled corporation	15,091,042,131 (L)	66.37%

Notes:

1. The letter "L" denotes a long position in the shares of the Company.

2. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Gas Group Co., Ltd. and is deemed to be interested in 15,091,042,131 Shares. Mr. Zhi Xiaoye, the non-executive Director and Chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and a director and general manager of Beijing Gas Group.

3. The percentage is calculated on the basis of 22,736,114,715 Shares in issue as at 31 December 2022.

(ii) Derivative interests of the Company

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding at 31/12/2022 (Note 3)
Beijing Gas Company Limited (Note 2)	Beneficial owner	2,542,372,881 (L)	11.18%
Beijing Gas Group Co., Ltd (Note 2)	Interest of controlled corporation	2,542,372,881 (L)	11.18%
Beijing Enterprises Group Company Limited (Note 2)	Interest of controlled corporation	2,542,372,881 (L)	11.18%

Notes:

1. The letter "L" denotes a long position in the shares of the Company.
2. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Gas Group Co., Ltd. and is deemed to be interested in 2,542,372,881 conversion Shares. Please refer to the circular of the Company dated 31 October 2022 and the announcement of the Company dated 30 December 2022 for details.
3. The percentage is calculated on the basis of 22,736,114,715 Shares in issue as at 31 December 2022.

Save as disclosed above, the Company has not been notified of any persons/corporations (other than the Directors and the chief executive officer of the Company) who had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 31 December 2022, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme (the "**Scheme**") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and Directors of the Company or any of its subsidiaries. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption and has therefore expired on 26 May 2021.

During FY2022, no share options were granted under the Scheme. As at 31 December 2022, there are no longer any outstanding share options under the Scheme.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group during FY2022 are set out in note 44 to the consolidated financial statements.

For those related party transactions during FY2022 which constituted connected transactions or continuing connected transactions (as the case may be) of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Save as disclosed below, none of the related party transactions as disclosed in note 44 to the consolidated financial statements in the annual report constituted connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS

As disclosed in the Company's announcement dated 26 September 2022 and circular dated 31 October 2022, the Company had, in light of the then situation of the Company, explored with Beijing Gas Group, the Company's controlling shareholder, for potential assistance in different aspects such as strategic synergy, business support, investment and financing arrangements, talent recruitment and management enhancement to improve the Group's financial position and business performance in the interest of the Shareholders as a whole.

On 26 September 2022, the Company and Beijing Gas Group, conditionally 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 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 Group 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)("**Beijing Gas Jingtang**"), a wholly-owned subsidiary of the Company, as collateral in favour of the lender.

(b) The Convertible Bond Subscription Agreement

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 "**Convertible Bond**") 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.

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 shall be secured by 8.37% of issued shares of Beijing Gas Jingtang

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

The Share Subscription Agreement

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 "**Target Company**"), 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 Directors (including the independent non-executive Directors who have taken into consideration the advice from the Independent Financial Adviser) considered that the transactions contemplated under the Capital and Asset Injection Plan are on normal commercial terms, fair and reasonable and are in the best interest of the Company and the Independent Shareholders as a whole. The Capital and Asset Injection Plan have been approved the independent Shareholders at the special general meeting of the Company held on 15 November 2022 and completion of the Capital and Asset Injection Plan took place on 30 December 2022.

For details, please refer to the Company's announcement dated 26 September 2022, circular dated 31 October 2022, poll results announcement dated 15 November 2022 and completion announcement dated 30 December 2022.

CONTINUING CONNECTED TRANSACTIONS

During FY2022, the Group has the following continuing connected transactions, details of which are set out below:

Master Agreement with Beijing Gas Group

Date: 25 February 2021

Parties: the Company as the purchaser; and Beijing Gas Group as the vendor

Beijing Gas HK, the controlling shareholder of the Company, was indirectly wholly-owned by Beijing Gas Group, and Beijing Gas Group is therefore a connected person of the Company under the Listing Rules.

Term: from 25 February 2021 to 31 December 2023 (both days inclusive)

Subject Matter: Purchase of LNG from Beijing Gas Group (or its designated subsidiaries or associates). The purchase of LNG from Beijing Gas Group could provide the Group with a stable and alternative gas source of LNG.

Basis of Pricing:

(i) the sale and purchase price of LNG under the Master Agreement is determined by arm's length negotiations based on normal commercial terms which are no less favourable to the Company than that available from Independent Third Parties, as defined in the Company's circular dated 14 April 2021, and the purchase price of LNG shall be determined with reference to the market price quoted from the respective local LNG terminal.

(ii) As the customers of the Company located in different area of the PRC, the price of LNG varies with reference to the supply and demand in particular area of the PRC, and transportation cost. As such, the Directors considered referencing to the market price quoted from the respective local LNG terminal in the area the Company's customer located would be in the best interest of the Company.

(iii) The sale and purchase price of LNG shall be agreed by both Beijing Gas Group (or its designated subsidiaries or associates) and the Company (or its designated subsidiaries or associates) by written confirmations for each order.

(iv) The supply of LNG by Beijing Gas Group (or its designated subsidiaries or associates) will be subject to prepayment for LNG made by the Company (or its designated subsidiaries or associates) pursuant to the Master Agreement. The actual settlement amount shall be based on the actual sale and purchase amount of LNG between the parties to the Master Agreement.

Annual Caps: FY2022: HK$1,105,650,000 (FY2021: HK$954,135,000)

Actual Transaction Amount: FY2022: HK$11,547,000 (for the period from 25 February 2021 to 31 December 2021: HK$22,610,000)

The entering into of the Master Agreement was approved by the independent Shareholders at the special general meeting held on 5 May 2021. For details, please refer to the Company's announcement dated 25 February 2021, circular dated 14 April 2021 and poll results announcement dated 5 May 2021.

Annual Review

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions as set out above have been entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) on terms that are fair and reasonable and in the interests of the shareholders and the Company as a whole.

The auditors of the Company, Ernst & Young, were engaged to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the HKICPA. The auditors have provided a letter to the Board confirming that nothing has come to their attention that causes them to believe the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with relevant agreements governing such transactions; and

(iii) have exceeded the annual caps as set by the Company.

A copy of the auditors' letter on the continuing connected transactions of the Group for the year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the shareholders of the Company, provided that the Group is profitable and having retained adequate reserves for future growth.

In proposing any dividend payout, the Board shall take into account the following factors:

1. the Group's current and future operations;

2. the Group's capital requirements;

3. the Group's liquidity position;

4. the Group's debt to equity ratios and the debt level;

5. retained earnings and distributable reserves of the Company and each of the other members of the Group;

6. statutory and regulatory restrictions;

7. other internal or external factors that may have an impact on the business or financial performance and positions of the Company; and

8. other factors that the Board deems relevant.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Monday, 15 May 2023. A notice convening the 2023 AGM will be issued to the shareholders of the Company together with this annual report, which will also be available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.bgbluesky.com.

CORPORATE GOVERNANCE

The Company has applied the principles of the CG Code as set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions as set out in the CG Code in force during the year throughout FY2022, save as disclosed in the Corporate Governance Report of this annual report.

CHANGES IN DIRECTORS' INFORMATION

Mr. Wu Haipeng has been appointed as an executive Director with effect from 16 November 2022 and Mr. Shao Dan has been appointed as a non-executive Director with effect from 30 December 2022 respectively. Mr. Chen Ning has been appointed as the Chief Financial Officer with effect from 21 November 2022.

Save as disclosed above, there are no changes in the information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the publication of the 2022 interim report or their respective date of appointment.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Bank facility letter entered into on 2 March 2020

Pursuant to a facility letter entered into between the Company and a bank on 2 March 2020 in relation to a 3-year facility of HK$500,000,000, the Company undertakes that Beijing Gas Group directly holds approximately 41.13% of the issued shares of the Company and is the largest shareholder of the Company. As at the date of this report, the respective bank facility has been fully repaid.

Bank facility letter entered into on 14 August 2020

Pursuant to the facility letter entered into between the Company and a bank on 14 August 2020 in relation to an extension of a term loan facility up to a maximum principal amount of HK$250,000,000 for one year to 17 August 2021, the Company undertakes that Beijing Gas Group directly or indirectly remains as the single largest shareholder of the Company with a minimum shareholding of 35% of the equity interest of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the facility and demand immediate repayment of all outstanding amounts from time to time. As at the date of this report, the respective bank facility has been fully repaid.

Bank facility agreement entered into on 17 August 2020

Pursuant to the facility agreement entered into between the Company and a bank on 17 August 2020 with the original mandated lead arranger and bookrunner, mandated lead arranger and bookrunner, mandated lead arrangers, lead arrangers, the lenders and the facility agent, in relation to a 3-year syndicated term loan facility of HK$890,000,000, the Company undertakes that Beijing Gas Group directly or indirectly remains as the single largest shareholder of the Company of not less than 36% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the lenders may terminate the facility and demand immediate repayment of all outstanding amounts from time to time. As at the date of this report, the respective bank facility has been fully repaid.

Bank facility letter entered into on 10 October 2020

Pursuant to the facility letter entered into between the Company and a bank on 10 October 2020 in relation to a three-year term loan facility up to HK$200,000,000, the Company undertakes that Beijing Gas Group directly or indirectly remains as the single largest shareholder of the Company of not less than 36% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the facility and demand immediate repayment of all outstanding amounts. As at the date of this report, the respective bank facility has been fully repaid.

Bank facility letter entered into on 2 November 2020

Pursuant to the facility letter entered into between the Company and a bank on 2 November 2020, in relation to a one-year term loan facility of not more than HK$200,000,000 and an issuance of back-to-back documentary credit limit of US$30,000,000, the Company undertakes that Beijing Gas Group directly or indirectly holds at least 35% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the bank has the right to without notice to the Company terminate any or all outstanding facilities. As at the date of this report, the respective bank facility has been fully repaid.

Bank facility letter entered into on 16 November 2020

Pursuant to the facility letter entered into between the Company and a bank on 16 November 2020, in relation to a one-year term loan facility of not more than equivalent to the value of HK$100,000,000, the Company undertakes that Beijing Gas Group directly or indirectly maintains the commitment to the Company's largest shareholder status, etc. In the event the aforesaid undertaking has been breached, the bank has the right to without notice to the Company terminate any or all outstanding facilities. As at the date of this report, the respective bank facility has been fully repaid.

Additional commitment obtained on 20 November 2020

Pursuant to the facility agreement (the "**Facility Agreement**") being executed on 17 August 2020, the Company further agreed to obtain an additional commitment in which the additional commitment lenders agreed to make available to the Company the additional commitment of HK$310,000,000 as part of the facility according to the Facility Agreement on 20 November 2020. The Company undertakes that Beijing Gas Group directly or indirectly remains as the single largest shareholder of the Company of not less than 36% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the lenders may terminate the facility and demand immediate repayment of all outstanding amounts from time to time. As at the date of this report, the respective bank facility has been fully repaid.

Senior Notes issued on 15 July 2022

On 15 July 2022, the Company (as issuer) issued the US$30,000,000 notes due July 2023 (the "**2023 Notes**") to holders of the US$40,000,000 senior notes due July 2022 and issued by the Company in December 2021 (the "**2022 Notes**") in exchange for all of the outstanding 2022 Notes (the "**Exchange Offer**"). As at the date of the Exchange Offer, the outstanding 2022 Notes amounted to US$30,000,000. In connection with the Exchange Offer, the Company, Beijing Gas Group (as keepwell deed provider) and the trustee of the 2023 Notes entered into a keepwell deed (the "**Keepwell Deed**"). Pursuant to the Keepwell Deed and the terms and conditions of the 2023 Notes, amongst other things, if Beijing Gas Group (a) ceases to own or control, directly or indirectly, 40.0% of the voting rights of the issued share capital of the Company, or (b) fails to procure the title rights and interests in the shares of the Company that are held by Beijing Gas Group are not pledged, charged or in any way encumbered, this will constitute an event of default under the 2023 Notes.

Bank facility agreement entered into on 17 October 2022

On 17 October 2022, the Company (as borrower), Mizuho Bank,Ltd. (as the coordinator, mandated lead arranger, bookrunner, and a lender) and Mizuho Bank,Ltd., Hong Kong Branch (as agent and security agent) entered into the Syndicated Facility Agreement, pursuant to which the Syndication Lenders shall provide to the Company the Syndicated Facility in an aggregate amount of HK$1,013,023,665. The Syndicated Facility is due on the first anniversary of the date of Syndicated Facility being made available to the Company (as maybe agreed to further extend for 24 months). Pursuant to the Syndicated Facility Agreement: 1. the State-owned Assets Supervision and Administration Commission of the State Council of the People's Government of Beijing Municipality shall remain the single largest shareholder of each of Beijing Enterprises Holding Limited and Beijing Gas Group; 2. Beijing Enterprises Holding Limited shall maintain control, directly or indirectly, of Beijing Gas Group; and 3. Beijing Gas Group shall maintain control, directly or indirectly, of the Company. For details, please refer to the Company's announcement dated 17 October 2022.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2022 and as at the date of this annual report.

ACCOUNTABILITY

The Board aims to ensure that the interim and annual financial statements and results announcements are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospect. The financial statements have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs of the Group at the end of the financial year. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee currently comprises three members, namely, Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen all being independent non-executive Directors, with Ms. Hsu Wai Man Helen as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2022.

The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the external auditors of the Company at the forthcoming annual general meeting.

AUDITORS

On 26 January 2021, Mazars CPA Limited resigned as the auditor of the Company and Ernst & Young, was appointed as the auditor of the Company to fill the vacancy with effect from 26 February 2021. Mazars CPA Limited was appointed as auditor of the Company with effect from 13 January 2020 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on the same date. Save as disclosed above, there were no changes in auditors of the Company during the past three years.

The consolidated financial statements of the Group for FY2022 were audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM. A resolution will be submitted to the AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

Mr. Zhi Xiaoye
Chairman

Mr. Li Weiqi
Director

Hong Kong, 30 March 2023

* *For identification purposes only*

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of
Beijing Gas Blue Sky Holdings Limited
(Incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Beijing Gas Blue Sky Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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.

BASIS FOR QUALIFIED OPINION (Continued)

Corresponding figures (Continued)

2. Impairment loss 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 loss of HK$90 million against a deposit paid for the acquisition of 51% equity interest in an entity; and (ii) a provision for litigations 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 loss against the deposit of HK$90 million and the provision for 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 Hong Kong Institute of Certified Public Accountants (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.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the corresponding figures, accordingly we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
The carrying amount of the Group's goodwill as at 31 December 2022 amounted to approximately HK$777 million. The Group is required to perform impairment tests for goodwill at least on an annual basis. In performing the tests, the recoverable amounts of the relevant cash-generating units are estimated, which are compared with their respective carrying values. The Group has engaged an external specialist to assist in the impairment assessments. For the year under review, the recoverable amounts of the relevant cash-generating units have been determined by management based on value in use calculations, which are estimated largely based on management expectations, assumptions and estimates of future results of the cash-generating units to which the goodwill has been allocated. The assumptions are affected by expectations of future market or economic conditions. Given the complexity and judgemental nature of the impairment testing, this is identified as a key audit matter. Relevant disclosures for impairment assessment of goodwill are included in notes 3.3, 4 and 19 to the consolidated financial statements.	We considered the competency, capabilities and objectivity of the external specialist engaged by the Group and involved our internal valuation specialists to assist us in evaluating the methodology and key assumptions adopted in the impairment assessments. We evaluated management expectations, assumptions and estimates of future results of the cash-generating units used in the valuation models by (i) testing the assumptions used in the cash flow forecasts; (ii) comparing the historical forecast with actual results; and (iii) obtaining corroborative evidence to support the discount rates and growth rates assumptions. We assessed the adequacy of the disclosures of the impairment tests in the consolidated financial statements, including the key assumptions with the most significant effect on the determination of the recoverable amounts, such as discount rates and growth rates.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses of trade receivables and other receivables	
At 31 December 2022, the Group has significant balances of trade receivables and other receivables with an aggregate carrying amount of approximately HK$461 million, net of provision for expected credit losses ("ECL"). The provision for ECL of these assets as at 31 December 2022 amounted to approximately HK$831 million in aggregate. Management has engaged an external specialist to assist in the calculation of the ECL. The Group considered all available information in the assessment which included information about past events, current conditions and forecasts of future economic conditions to estimate the ECL. We identified the ECL assessment of trade receivables and other receivables as a key audit matter because of their significant balances, and significant management judgements and estimates involved in determining the ECL. Relevant disclosures are included in notes 3.3, 4, 24 and 26 to the consolidated financial statements.	We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy in determining ECL, including an evaluation of management judgements on (i) the level of disaggregation of categories for assessment; and (ii) the criteria for determining if a significant increase in credit risk has occurred. We obtained and reviewed the ECL calculation prepared by management which is based on the relevant credit risk of the debtors and, with the aid of the external specialist, adjusted for forward-looking factors specific to debtors and economic environment. We considered the competency, capabilities and objectivity of the external specialist engaged by the management. We involved our internal specialists to assist us to evaluate the Group's estimation methodology of ECL and compare the parameters against external available data sources. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation of newly acquired subsidiaries	
During the year ended 31 December 2022, the Group acquired the entire equity interest of 浙江博臣能源股份有限公司 and Sapphire Gas Company Limited with an aggregate consideration of approximately HK$587 million. The Group engaged an external specialist to assess the fair values of the identifiable assets acquired and liabilities assumed under these business combinations and recognised goodwill of approximately HK$179 million in total. The accounting for these business combinations relied significantly on management estimation and judgements in respect of the fair value assessments of the identifiable assets acquired and liabilities assumed including the identification of an operating right, and the allocation of the purchase prices. Because of the significant judgements and estimation, and the materiality of the amounts involved, the purchase price allocation of these business combinations is identified as a key audit matter. The related disclosures are included in notes 3.3, 4 and 40 to the consolidated financial statements.	We assessed the competency, capabilities and objectivity of the external specialist engaged by the Group and involved our internal valuation specialists to support us in evaluating the valuation methodologies and discount rates used by management. We evaluated management's valuation methodologies and assumptions used in the purchase price allocation and examined the underlying data used by management. We assessed the sensitivity of management's estimates by evaluating the impact to the purchase price allocation within a certain range of the estimates. We also assessed the adequacy of the disclosures of the business combinations in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	6	**1,607,151**	1,728,019
Cost of sales		**(1,518,890)**	(1,608,675)
Gross profit		**88,261**	119,344
Other income and gains, net	7	**47,620**	34,326
Administrative expenses		**(177,145)**	(218,444)
Reversal of impairment/(impairment) of financial assets, net	9	**36,530**	(251,118)
Impairment of non-financial assets, net	9	**(8,000)**	(45,746)
Other expenses, net		**(69,611)**	(124,869)
Finance costs	8	**(133,940)**	(157,840)
Share of profits and losses of:			
Joint ventures		**(4,298)**	–
Associates		**242,904**	374,289
PROFIT/(LOSS) BEFORE TAX	9	**22,321**	(270,058)
Income tax	11	**(10,737)**	(8,499)
PROFIT/(LOSS) FOR THE YEAR		**11,584**	(278,557)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(52,009)**	5,761
Share of other comprehensive income/(loss) of joint ventures and associates		**(153,166)**	63,067
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**(205,175)**	68,828
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(193,591)**	(209,729)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of the Company		**18,645**	(275,400)
Non-controlling interests		**(7,061)**	(3,157)
		11,584	(278,557)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**(177,678)**	(208,725)
Non-controlling interests		**(15,913)**	(1,004)
		(193,591)	(209,729)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	12	**0.14**	(2.12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**627,733**	506,779
Investment properties	15	**73,415**	44,757
Right-of-use assets	16(a)	**47,756**	52,934
Goodwill	17	**777,044**	597,983
Operating rights	18	**409,565**	70,705
Investments in joint ventures	20	**24,719**	19,522
Investments in associates	21	**1,893,268**	2,080,006
Deposits paid for acquisition of subsidiaries	22	**–**	283,464
Prepayments, deposits and other receivables	26	**2,027**	31,361
Equity investments at fair value through other comprehensive income		**474**	707
Total non-current assets		**3,856,001**	3,688,218
CURRENT ASSETS			
Inventories	23	**20,255**	15,263
Trade receivables	24	**111,821**	160,722
Contract assets	25	**42,968**	25,965
Prepayments, deposits and other receivables	26	**519,930**	506,221
Due from joint ventures	27	**79,171**	69,989
Due from associates	27	**7,458**	1,985
Due from related parties	27	**11,827**	–
Financial assets at fair value through profit or loss	28	**127**	17,721
Income tax recoverable		**1,041**	–
Restricted cash and pledged deposits	29	**16,051**	519,108
Cash and cash equivalents	29	**554,062**	230,945
Total current assets		**1,364,711**	1,547,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	30	**131,039**	294,374
Other payables and accruals	31	**460,771**	418,351
Due to joint ventures	27	**63,837**	70,152
Due to associates	27	**–**	1,481
Income tax payables		**61,715**	53,636
Bank and other borrowings	32	**1,700,276**	3,486,413
Lease liabilities	16(a)	**5,931**	9,324
Provision for litigations	34	**43,987**	79,673
Total current liabilities		**2,467,556**	4,413,404
NET CURRENT LIABILITIES		**(1,102,845)**	(2,865,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,753,156**	822,733
NON-CURRENT LIABILITIES			
Bank and other borrowings	32	**770,512**	93,324
Convertible bond	33	**236,263**	–
Lease liabilities	16(a)	**9,116**	10,924
Deferred tax liabilities	35	**108,090**	17,502
Total non-current liabilities		**1,123,981**	121,750
Net assets		**1,629,175**	700,983
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	36	**1,250,486**	714,236
Reserves	38(a)	**106,168**	(109,392)
		1,356,654	604,844
NON-CONTROLLING INTERESTS		**272,521**	96,139
TOTAL EQUITY		**1,629,175**	700,983

Zhi Xiaoye
Director

Li Weiqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to shareholders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Equity component of convertible bond HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Merger reserve HK$'000	Other reserves HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling Interests HK$'000	Total equity HK$'000
At 1 January 2021		714,236	4,270,611	–	123	(47,317)	(43,048)	(28,869)	(555,471)	(3,496,696)	813,569	86,771	900,340
Loss for the year		–	–	–	–	–	–	–	–	(275,400)	(275,400)	(3,157)	(278,557)
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	3,608	–	3,608	2.153	5.761
Share of other comprehensive income of joint ventures and associates		–	–	–	–	–	–	–	63,067	–	63,067	–	63,067
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	–	66,675	(275,400)	(208,725)	(1,004)	(209,729)
Forfeiture of share options	37	–	–	–	(123)	–	–	–	–	123	–	–	–
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	3,921	3,921
Dividends paid to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	(2,758)	(2,758)
Capital contributions from non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	9,209	9,209
Transfer to reserves		–	–	–	–	–	–	1,490	22,432	(23,922)	–	–	–
At 31 December 2021 and 1 January 2022		714,236	4,270,611*	–*	–*	(47,317)*	(43,048)*	(27,379)*	(466,364)*	(3,795,895)*	604,844	96,139	700,983
Profit for the year		-	-	-	-	-	-	-	-	18,645	18,645	(7,061)	11,584
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(43,157)	-	(43,157)	(8,852)	(52,009)
Share of other comprehensive loss of joint ventures and associates		-	-	-	-	-	-	-	(153,166)	-	(153,166)	-	(153,166)
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	-	(196,323)	18,645	(177,678)	(15,913)	(193,591)
Issue of a convertible bond	33	-	-	63,737	-	-	-	-	-	-	63,737	-	63,737
Issue of new shares for cash	36(a)	343,750	156,250	-	-	-	-	-	-	-	500,000	-	500,000
Issue of new shares for acquisition of subsidiaries	36(b), 40	192,500	168,000	-	-	-	-	-	-	-	360,500	198,695	559,195
Disposal of subsidiaries	41	-	-	-	-	-	-	-	-	-	-	(1,149)	(1,149)
Acquisition of non-controlling interests		-	-	-	-	-	-	5,251	-	-	5,251	(5,251)	-
Transfer to reserves		-	-	-	-	-	-	28,431	-	(28,431)	-	-	-
At 31 December 2022		**1,250,486**	**4,594,861***	**63,737***	**-***	**(47,317)***	**(43,048)***	**6,303***	**(662,687)***	**(3,805,681)***	**1,356,654**	**272,521**	**1,629,175**

* These reserve accounts comprise the consolidated reserves of HK$106,168,000 (2021: consolidated negative reserves of HK$109,392,000) in the consolidated statement of financial position as at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**22,321**	(270,058)
Adjustments for:			
Depreciation of property, plant and equipment	9	**58,445**	58,188
Depreciation of investment properties	9	**2,824**	–
Depreciation of right-of-use assets	9	**11,120**	14,795
Amortisation of operating rights	9	**5,637**	5,239
Impairment of property, plant and equipment	9	**8,000**	11,313
Impairment of goodwill	9	**–**	27,805
Impairment of operating rights	9	**–**	6,894
Reversal of impairment of investments in associates	9	**–**	(266)
Impairment of deposits for acquisition of subsidiaries	9	**–**	145,739
Impairment/(reversal of impairment) of trade receivables	9	**(5,051)**	26,009
Impairment/(reversal of impairment) of deposits and other receivables	9	**(31,479)**	79,370
Changes in fair value of financial assets at fair value through profit or loss		**214**	813
Gain on derecognition of a financial asset at amortised cost	7	**(18,627)**	–
Gain on disposal of an investment property	9	**(562)**	–
Loss on disposal of subsidiaries	9	**1,958**	–
Interest income	7	**(1,315)**	(11,315)
Finance costs	8	**133,940**	157,840
Share of losses of joint ventures		**4,298**	–
Share of profits of associates		**(242,904)**	(374,289)
Provision/(reversal of provision) for litigations	9	**(30,571)**	79,673
		(81,752)	(42,250)
Decrease/(increase) in inventories		**(1,046)**	3,670
Decrease in trade receivables		**47,195**	66,396
Decrease/(increase) in contract assets		**(1,948)**	27,827
Decrease in prepayments, deposits and other receivables		**217,167**	24,337
Decrease in trade and bills payables		**(165,225)**	(73,090)
Increase/(decrease) in other payables and accruals		**17,699**	(76,193)
Cash generated from/(used in) operations		**32,090**	(69,303)
Income tax paid		**(5,350)**	(22,766)
Net cash flows from/(used in) operating activities		**26,740**	(92,069)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,315**	11,315
Purchases of items of property, plant and equipment		**(22,072)**	(54,921)
Additions of right-of-use assets		**–**	(2,866)
Acquisition of subsidiaries	40	**37,658**	–
Disposal of subsidiaries	41	**14,257**	–
Dividend received from a joint venture		**9,664**	–
Dividend received from an associate		**269,767**	209,667
Decrease/(increase) in time deposits with maturity of more than three months when acquired		**(22,727)**	35,607
Proceeds from disposal of an investment property		**3,991**	–
Proceeds from disposal of equity investments at fair value through other comprehensive income		**233**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**16,113**	5,935
Net cash flows from investing activities		**308,199**	204,737
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of a convertible bond	33	**300,000**	–
Proceeds from issues of new shares for cash	36(a)	**500,000**	–
Proceeds from new bank and other borrowings		**891,039**	674,100
Repayment of bank and other borrowings		**(2,059,517)**	(612,812)
Decrease/(increase) in restricted cash and pledged deposits		**503,057**	(472,115)
Dividends paid to non-controlling equity holders of subsidiaries		**–**	(2,758)
Repayment to joint ventures		**(6,315)**	–
Repayment to associates		**(1,481)**	(3,766)
Capital contributions from non-controlling equity holders of subsidiaries		**–**	9,209
Principal portion of lease payments		**(8,952)**	(8,339)
Interest portion of lease payments		**(923)**	(987)
Other interest paid		**(133,017)**	(156,853)
Net cash flows used in financing activities		**(16,109)**	(574,321)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**318,830**	(461,653)
Effect of foreign exchange rate changes, net		**(18,440)**	22,797
Cash and cash equivalents at beginning of year		**230,945**	669,801
CASH AND CASH EQUIVALENTS AT END OF YEAR		**531,335**	230,945

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	**2022** **HK$'000**	2021 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	29	**547,386**	724,965
Time deposits	29	**22,727**	25,088
Less: Restricted cash and pledged deposits	29	**(16,051)**	(519,108)
Cash and cash equivalents as stated in the consolidated statement of financial position		**554,062**	230,945
Less: Time deposits with maturity of more than three months when acquired		**(22,727)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**531,335**	230,945

1. CORPORATE AND GROUP INFORMATION

Beijing Gas Blue Sky Holdings Limited (the "Company") is 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 registered office and the principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 3402-4, 34th Floor, 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") were engaged in the following principal activities:

- the distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, sale of gas-related equipment and the provision of pipeline construction services and related value-added services, such as repair and maintenance services;
- the sale of liquefied natural gas ("LNG") to industrial end users through direct supply facilities;
- the 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
- the 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 of the Company is 北京控股集團有限公司, 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.

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued or paid-up capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Goldlink Capital Limited	British Virgin Islands ("BVI")/Hong Kong	US$100	100	–	Investment holding
吉林松原燃氣有限公司^	PRC/Mainland China	RMB50,000,000	–	100	Sale of natural gas and provision of pipeline construction and other related services
松原市北燃藍天新能源有限公司 ("Songyuan Beijing Gas Blue Sky")^	PRC/Mainland China	RMB50,000,000	–	100	Sale of natural gas and provision of pipeline construction and other related services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and operations	Issued or paid-up capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
山西民生天燃氣有限公司 ("Shanxi Minsheng")^	PRC/Mainland China	RMB80,000,000	–	51	Sale of natural gas and provision of pipeline construction and other related services
永濟市民生天燃氣有限公司 ("Yongji Minsheng")^	PRC/Mainland China	RMB60,000,000	–	51	Sale of natural gas and provision of pipeline construction and other related services
浙江博信能源有限公司Ω	PRC/Mainland China	RMB250,000,000	–	100	Sale and distribution of natural gas and other related products
北京北燃京唐燃氣科技有限公司Ω*	PRC/Mainland China	HK$114,230,000	–	100	Investment holding
北京燃氣集團藤縣有限公司 ("BJ Gas Tengxian")^	PRC/Mainland China	RMB30,000,000	–	51	Sale of natural gas and provision of pipeline construction and other related services

Ω These entities are registered as wholly-foreign-owned enterprises under PRC Law.

^ These entities are registered as limited liability companies under PRC Law.

* 20.92% and 8.37% equity interest of this entity held by the Group are pledged to secure a loan from the immediate holding company of HK$700 million (note 32(b)(ii)) and the convertible bond issued by the Company (note 33), respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 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 form 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, 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.

These financial statements are presented in Hong Kong dollar (HK$) and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2.2 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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. 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

3.1 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	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	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 *Provisions, 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 combinations 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 sale 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.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(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 as 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.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of liabilities as Current or Non– current (the "2020 Amendments")* [2, 4]
Amendments to IAS 1	*Non-current liabilities with Covenants (the "2022 Amendments")* [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 *Insurance Contracts* was amended to extend the temporary exemption that permits insurers to apply IAS 39 *Financial Instruments: Recognition and Measurement* rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below:

(a) Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and in IAS 28 *Investments in Associates and Joint Ventures* in dealing with the sale or contribution of assets between an investor and its joint venture or associate. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its joint venture or associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that joint venture or associate. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB and a new mandatory effective date will be determined after the completion of a broader review of accounting for joint ventures and associates. However, the amendments are available for adoption now.

(b) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements my require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(d) Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

(e) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 *Income Taxes* so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations as at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of accumulated losses or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in joint ventures and associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures and associates is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures and associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's investments in the joint ventures and associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures and associates is included as part of the Group's investments in joint ventures and associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint ventures and associates upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures certain equity and fund investments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings	15 years
Leasehold improvements	Over the shorter of the lease terms or 5 years
Plant and machinery	10 years
Gas pipelines	Over the shorter of 30 years or operating period of the relevant entity
Furniture, fixtures and office equipment	5 years
Motor vehicles	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, gas pipelines and machinery, structures, plant and machinery and other property, plant and equipment under construction or installation, and construction materials. Construction in progress is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

The cost of an investment property comprises its purchase price and any directly attributable expenditure. Expenditure incurred subsequent to initial recognition, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where (a) it is probable that future economic benefits associated with the expenditure will flow to the Group; and (b) the amount of the expenditure can be measured reliably, the subsequent expenditure is capitalised in the carrying amount of the asset.

Depreciation is calculated on the straight-line basis to write off the cost of investment properties to their estimated residual values over their estimated useful lives of 20 years. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Any gains or losses on the disposal of an investment property are recognised in profit or loss in the period of the disposal.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the following depreciation periods, which are the shorter of the lease terms and the estimated useful lives of the assets:

Leasehold land	2 to 50 years
Office premises	2 to 20 years

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group elected to present the right-of-use assets separately on the face of the consolidated statement of financial position.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease or, where that rate cannot be determined, the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present the lease liabilities separately on the face of the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on the straight-line basis over the lease terms and is included in other income in profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Operating rights

Operating rights represent the rights to distribute and sell natural gas to residential, industrial and commercial consumers through pipelines in specified regions in Mainland China. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating rights granted to the Group, which range from 10 to 30 years.

An operating right is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant operating right.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, financial assets, inventories and contract assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis, or, otherwise, to the smallest group of cash-generating units.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets (debt instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets (debt instruments) refers to how it manages its financial assets (debt instruments) in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets (debt instruments), or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets (debt instruments) in order to collect contractual cash flows, while financial assets (debt instruments) classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets (debt instruments) which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(a) ***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payment are past due, in general, over 1 year, based on historical pattern and credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment (Continued)

(a) ***General approach (Continued)***

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below:

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

(b) ***Simplified approach***

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as financial liabilities at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component (conversion option).

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of a convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability or a current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Upon the exercise of the conversion option, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amount of the liability and equity components of the convertible bonds over the nominal value of the ordinary shares issued is recorded in the share premium account. When convertible bonds are redeemed, the carrying amount of the equity component is transferred to accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to accumulated losses as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets under the policy set out for "Investments and other financial assets – Impairment" above.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group satisfied a performance obligation and recognises revenue over time, if one of the following criteria is met:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

– The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

– The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at the point in time at which the performance obligation is satisfied.

(a) Sale of gas products and gas-related equipment

Revenue from the sale of gas products (including natural gas, CNG, LNG, fuel oil and other related oil by-products) and gas-related equipment is recognised at the point in time when control of the asset is transferred to the customer, generally upon (i) consumption by the customer based on gas consumption derived from meter readings in respect of piped gas consumption; and (ii) delivery of the goods in respect of the sale of other gas products and gas-related equipment.

(b) Pipeline construction services

Revenue from the provision of gas connection services and pipeline design and construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the costs incurred, relative to the estimated total costs for satisfaction of the construction services.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Principal versus agent

When another party is involved in providing goods to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods itself (i.e., the Group is a principal) or to arrange for those goods to be provided by the other party (i.e., the Group is an agent). The Group is a principal if it controls the specified goods before those goods are transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods by another party. In this case, the Group does not control the specified goods provided by another party before those goods are transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods to be provided by the other party.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Where a grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where a grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation/amortisation charge.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Share-based payments (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to accumulated losses as a movement in reserves.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by these subsidiaries based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Mainland China and overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition date are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of certain Mainland China and overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of goodwill and operating rights

The Group is required to perform impairment test for (i) goodwill at least on an annual basis; and (ii) operating rights when an indication of impairment exists. Impairment test requires an estimation of the recoverable amount of the relevant cash-generating units of the Group to which the goodwill and operating rights are allocated or attributed. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and operating rights as at 31 December 2022 were HK$777,044,000 (2021: HK$597,983,000) and HK$409,565,000 (2021: HK$70,705,000), respectively, details of which are set out in notes 17 and 18 to the financial statements, respectively.

Provision for ECLs of trade receivables, contract assets and other receivables

The policy for the provision for ECLs of trade receivables, contract assets and other receivables is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecast future economic conditions to estimate the ECLs. The carrying amounts of trade receivables, contract assets and other receivables other than prepayments carried as assets in the consolidated statement of financial position as at 31 December 2022 were HK$111,821,000 (2021: HK$160,722,000), HK$42,968,000 (2021: HK$25,965,000) and HK$349,137,000 (2021: HK$307,175,000), respectively, further details of which are set out in notes 24, 25, and 26 to the financial statements, respectively.

Purchase price allocation for business combinations

During the year ended 31 December 2022, the Group acquired the entire equity interests in two entities at an aggregate consideration of approximately HK$587 million. The assessment of the fair values of the identifiable assets acquired and liabilities assumed and allocation of the purchase price required significant management judgements and estimation. The Group recognised, inter alia, an operating right of approximately HK$344 million and goodwill of approximately HK$179 million as a result of these business combinations, details of which are set out in note 40 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment of property, plant and equipment, investment properties and right-of-use assets

The carrying amounts of property, plant and equipment, investment properties and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 3.3 to the financial statements. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of these assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

5. 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 operation segment engages in the distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, the sale of gas-related equipment and the provision of pipeline construction services and related value-added services such as repair and maintenance services. Share of results of an associate, which is engaged in the provision of port facilities for vessels and re-gasification of LNG, is also included in this segment

(b) Direct supply to industrial users segment engages in the sale of LNG to industrial users through direct supply facilities

(c) Trading and distribution of natural gas segment trades and distributes CNG, LNG, fuel oil and other related oil by-products as a wholesaler to industrial users and commercial users

(d) Natural gas refueling stations segment operates 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. The segment profit/(loss) is measured consistently with the Group's profit/(loss) before tax except that loss on disposal of subsidiaries, other income and gains, finance costs, impairment/(reversal of impairment) of unallocated assets, as well as head office and corporate income and expenses are excluded from such measurement.

5. OPERATING SEGMENT INFORMATION (Continued)

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 operation 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	590,268	45,388	927,354	44,141	1,607,151
Segment profit/(loss)	206,360	(9,869)	(28,354)	(3,626)	164,511
Unallocated other income and gains, net					47,620
Unallocated corporate expenses					(102,678)
Finance costs					(133,940)
Reversal of impairment of unallocated assets, net					46,808
Profit before tax					22,321

Year ended 31 December 2021

	City gas operation 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	602,066	494,708	583,415	47,830	1,728,019
Segment profit/(loss)	317,455	(1,008)	(25,718)	(6,609)	284,120
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					(270,058)

5. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2022	2021
	HK$'000	HK$'000
City gas operation	**3,855,092**	3,431,214
Direct supply to industrial users	**153,172**	104,110
Trading and distribution of natural gas	**369,512**	291,807
Natural gas refueling stations	**87,505**	113,150
Corporate and other unallocated items	**755,431**	1,295,856
Consolidated assets	**5,220,712**	5,236,137

Segment liabilities

	2022	2021
	HK$'000	HK$'000
City gas operation	**443,004**	679,179
Direct supply to industrial users	**21,086**	102,144
Trading and distribution of natural gas	**156,883**	209,308
Natural gas refueling stations	**9,722**	10,349
Corporate and other unallocated items	**2,960,842**	3,534,174
Consolidated liabilities	**3,591,537**	4,535,154

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

- all assets are allocated to reportable operating segments, except that property, plant and equipment and right-of-use assets for corporate use, prepayments, equity investments at fair value through other comprehensive income, financial assets at fair value through profit of loss, restricted cash and pledged deposits, cash and cash equivalents, and other unallocated assets are not allocated to any segments; and

- all liabilities are allocated to reportable operating segments, except that bank and other borrowings, convertible bond, unallocated lease liabilities, deferred tax liabilities and other unallocated liabilities are not allocated to any segments.

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

5. OPERATING SEGMENT INFORMATION (Continued)

Other segment information

	City gas operation HK$'000	Direct supply to industrial users HK$'000	Trading and distribution of natural gas HK$'000	Natural gas refueling stations HK$'000	Unallocated HK$'000	Consolidated HK$'000
31 December 2022						
Additions to non-current assets (excluding goodwill) (note (a))	**8,922**	**236**	**59,119**	**14,440**	**–**	**82,717**
Depreciation of property, plant and equipment	**46,216**	**933**	**7,683**	**3,613**	**–**	**58,445**
Depreciation of investment properties	**2,824**	**–**	**–**	**–**	**–**	**2,824**
Depreciation of right-of-use assets	**2,313**	**118**	**1,756**	**3,846**	**3,087**	**11,120**
Amortisation of operating rights	**5,637**	**–**	**–**	**–**	**–**	**5,637**
Investments in joint ventures	**24,719**	**–**	**–**	**–**	**–**	**24,719**
Investments in associates	**1,863,625**	**–**	**–**	**29,643**	**–**	**1,893,268**
Share of losses of joint ventures	**–**	**–**	**–**	**(4,298)**	**–**	**(4,298)**
Share of profits/(losses) of associates	**244,394**	**–**	**–**	**(1,490)**	**–**	**242,904**
Impairment/(reversal of impairment) of assets (note (b))	**2,110**	**11,534**	**2,503**	**2,131**	**(46,808)**	**(28,530)**
31 December 2021						
Additions to non-current assets (excluding goodwill) (note (a))	47,045	2,422	6,116	9,467	10,426	75,476
Depreciation of property, plant and equipment	43,052	8,255	–	4,035	2,846	58,188
Depreciation of right-of-use assets	7,088	–	–	1,733	5,974	14,795
Amortisation of operating rights	5,239	–	–	–	–	5,239
Investments in joint ventures	19,522	–	–	–	–	19,522
Investments in associates	2,048,345	–	–	31,661	–	2,080,006
Share of profits/(losses) of associates	376,025	–	–	(1,736)	–	374,289
Impairment/(reversal of impairment) of assets (note (b))	30,574	15,868	(25,577)	9,409	266,590	296,864

Notes:

(a) The amount consists of additions to property, plant and equipment, investment properties, right-of-use assets and operating rights, excluding assets from the acquisition of subsidiaries.

(b) These amounts are recognised in profit or loss and included impairment/(reversal of impairment) against property, plant and equipment, goodwill, operating rights, investments in associates, deposits paid for acquisition of subsidiaries, trade receivables and deposits and other receivables.

5. OPERATING SEGMENT INFORMATION (Continued)

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 was derived from Mainland China and more than 90% of the non-current assets of the Group (other than financial assets) as at 31 December 2022 and 2021 are located in Mainland China.

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.

6. REVENUE

Revenue of the Group for each of the years ended 31 December 2022 and 2021 wholly represented revenue from contracts with customers:

(a) Disaggregated revenue information

Segments	City gas operation 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
Year ended 31 December 2022					
Types of goods or services					
Sale of gas products	487,234	45,388	927,354	44,141	1,504,117
Pipeline construction services	91,938	–	–	–	91,938
Sale of gas-related equipment	11,096	–	–	–	11,096
Total revenue from contracts with customers	590,268	45,388	927,354	44,141	1,607,151
Timing of revenue recognition					
Goods or services transferred at a point in time	498,330	45,388	927,354	44,141	1,515,213
Services transferred over time	91,938	–	–	–	91,938
Total revenue from contracts with customers	590,268	45,388	927,354	44,141	1,607,151

6. REVENUE (Continued)

(a) Disaggregated revenue information (Continued)

Segments	City gas operation 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
Year ended 31 December 2021					
Types of goods or services					
Sale of gas products	444,961	494,708	583,415	47,830	1,570,914
Pipeline construction services	133,671	–	–	–	133,671
Sale of gas-related equipment	23,434	–	–	–	23,434
Total revenue from contracts with customers	602,066	494,708	583,415	47,830	1,728,019
Timing of revenue recognition					
Goods or services transferred at a point in time	468,395	494,708	583,415	47,830	1,594,348
Services transferred over time	133,671	–	–	–	133,671
Total revenue from contracts with customers	602,066	494,708	583,415	47,830	1,728,019

Geographical markets

All the revenue from contracts with customers are derived from Mainland China for each of the years ended 31 December 2022 and 2021.

6. REVENUE (Continued)

(b) Performance obligations

City gas operation

For sale of natural gas to residential, industrial and commercial users through pipelines and other related products, revenue is recognised at a point in time when the customers obtain the control of goods when the gas is supplied to and consumed by the end users. The normal credit term is 90 days upon delivery.

For pipeline construction, the Group provides gas pipeline construction services under construction contracts with its customers. Such contracts are entered into before construction of the gas pipelines begins. The Group's performance creates and enhances an asset that the customer controls as the Group performs, and therefore revenue from construction of gas pipelines is recognised over time on an input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management of the Group consider that the input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group requires certain customers to provide upfront deposits before the commencement of the construction which will give rise to contract liabilities until the revenue recognised on the relevant contracts exceeds the amount of the deposits received. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract assets for any work performed in excess of payment from a customer for the same contract. Any amount previously recognised as a contract asset is reclassified to trade receivables upon completion of construction works. The Group in general allows an average credit period of 90 days to its customers.

6. REVENUE (Continued)

(b) Performance obligations (Continued)

Other operations

For natural gas refueling stations for vehicles and distribution and trading of natural gas as a wholesaler to industrial and commercial users through direct supply facilities, revenue is recognised at a point in time when the customers obtain the control of goods which is when the gas refueling process has been completed and the gas has been delivered to customers' specific location, respectively. Transportation and other related activities that occurred before customers obtain control of the related products are considered as fulfilment activities.

For trading and distribution of natural gas, the Group would require advance payment before the delivery of the natural gas for certain customers, and any shortage against the periodically actual delivery of natural gas will be billed by the Group accordingly. The normal credit term for trading and distribution of natural gas is 90 days upon delivery.

For natural gas refueling stations, customers are required to purchase an oil card and top up the advance payment stored in the card for future supply of natural gas by the Group. The Group requires advance payment before the supply of natural gas through oil card. For any shortage in value stored in the oil card, the Group grant a normal credit term of 30 days upon the issue of monthly statement of the oil card.

(c) Transaction price allocated to the remaining performance obligations for contract with customers

Performance obligations of all sale of natural gas contracts and pipeline construction contracts are expected to be satisfied with an original expected duration of one year or less. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

(d) The amount of revenue recognised during the year that was included in the contact liabilities at the beginning of the reporting period are as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the year	**246,590**	139,968*

* Included in the amount disclosed above are contract liabilities of HK$128,700,000 in connection with trading and distribution of natural gas for which the Group acted as an agent, i.e., related revenue was recognised in profit or loss on a net basis in 2021.

7. 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
Other income		
Bank interest income	**1,315**	11,315
Rental income	**5,264**	–
Government subsidies and grants	**2,785**	1,189
Others	**19,629**	22,930
	28,993	35,434
Gains, net		
Changes in fair value of financial assets at fair value through profit or loss	**–**	(813)
Foreign exchange differences, net	**–**	(295)
Gain on derecognition of a financial asset at amortised cost (note 15(a))	**18,627**	–
	18,627	(1,108)
Other income and gains, net	**47,620**	34,326

8. FINANCE COSTS

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

	2022 **HK$'000**	2021 HK$'000
Interest expense on bank loans	**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
	133,940	157,840

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived after charging/(crediting):

	Notes	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	14	**58,445**	58,188
Depreciation of investment properties	15	**2,824**	–
Depreciation of right-of-use assets	16(a)	**11,120**	14,795
Amortisation of operating rights*	18	**5,637**	5,239
Lease payments not included in the measurement of lease liabilities		**845**	1,750
Auditor's remuneration		**5,980**	7,800
Employee benefit expense (including directors' emoluments (note 10(a)):			
Salaries, bonuses and other benefits		**90,676**	111,926
Contribution to defined contribution plans[Ω]		**12,746**	18,906
		103,422	130,832
Loss on disposal of subsidiaries	41	**1,958**	–
Gain on disposal of an investment property		**(562)**	–
Changes in fair value of financial assets at fair value through profit or loss		**214**	813
Impairment/(reversal of impairment) of financial assets, net:			
Deposits paid for acquisition of subsidiaries	22(b)	**–**	145,739
Trade receivables	24(b)	**(5,051)**	26,009
Deposits and other receivables	26(d)	**(31,479)**	79,370
		(36,530)	251,118
Impairment/(reversal of impairment) of non-financial assets, net:			
Property, plant and equipment	14	**8,000**	11,313
Goodwill	17	**–**	27,805
Operating rights	18	**–**	6,894
Investments in associates	21(d)	**–**	(266)
		8,000	45,746
Foreign exchange differences, net		**4,748**	295
Provision/(reversal of provision) for litigations[&]	34	**(30,571)**	79,673
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**845**	1,750

9. PROFIT/(LOSS) BEFORE TAX (Continued)

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

& Provision/(reversal of provision) for litigations is included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

Ω There is no forfeited contribution that may be used by the Group as employer to reduce the existing level of contributions.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2022	2021
	HK$'000	HK$'000
Fees	**516**	1,053
Other emoluments:		
Salaries and allowances	**4,722**	3,326
Discretionary bonuses	**49**	–
Contribution to defined contribution plans	**776**	783
	5,547	4,109
	6,063	5,162

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

An analysis of the directors' remuneration, on a named basis, is as follows:

Year ended 31 December 2022

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive directors					
Mr. Li Weiqi					
(Chief Executive Officer)	–	908	–	218	1,126
Mr. Chen Ning[1]	–	598	–	126	724
Mr. Wu Haipeng[1]	–	331	–	101	432
Mr. Yeung Shek Hin[1]	–	588	49	9	646
Mr. Jin Qiang[3]	–	283	–	115	398
Ms. Yang Fuyan[2]	–	569	–	144	713
Mr. Ye Hongjun[3]	–	1,445	–	63	1,508
	–	4,722	49	776	5,547
Non-executive directors					
Mr. Zhi Xiaoye[8]	–	–	–	–	–
Mr. Shao Dan[7]	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Cui Yulei	198	–	–	–	198
Ms. Hsu Wai Man Helen	198	–	–	–	198
Mr. Xu Jianwen[4]	110	–	–	–	110
Mr. Ma Arthur On-hing[5]	10	–	–	–	10
	516	–	–	–	516
	516	4,722	49	776	6,063

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

Year ended 31 December 2021

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Contribution to defined contribution plans HK$'000	Total HK$'000
Executive directors					
Mr. Li Weiqi					
(Chief executive officer)	–	882	–	209	1,091
Mr. Jin Qiang[3]	–	698	–	209	907
Ms. Yang Fuyan[2]	–	698	–	209	907
Mr. Ye Hongjun[3]	–	1,048	–	156	1,204
	–	3,326	–	783	4,109
Non-executive directors					
Mr. Zhi Xiaoye[8]	–	–	–	–	–
Mr. Cheng Ming Kit[9]	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Lim Siang Kai[6]	260	–	–	–	260
Mr. Ma Arthur On-hing[5]	120	–	–	–	120
Mr. Wee Piew[6]	189	–	–	–	189
Mr. Cui Yulei	242	–	–	–	242
Ms. Hsu Wai Man Helen	242	–	–	–	242
	1,053	–	–	–	1,053
	1,053	3,326	–	783	5,162

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

Notes:

(1) Mr. Chen Ning, Mr. Yeung Shek Hin and Mr. Wu Haipeng were appointed as executive directors of the Company with effect from 1 June 2022, 1 July 2022 and 16 November 2022, respectively.

(2) Ms. Yang Fuyan resigned as an executive director of the Company with effect from 19 August 2022.

(3) Mr. Jin Qiang and Mr. Ye Hongjun retired as executive directors of the Company with effect from 31 May 2022.

(4) Mr. Xu Jiawen was appointed as an independent non-executive director of the Company with effect from 1 February 2022.

(5) Mr. Ma Arthur On-hing resigned as an independent non-executive director of the Company with effect from 1 February 2022.

(6) Mr. Lim Siang Kai and Mr. Wee Piew resigned as independent non-executive directors of the Company with effect from 29 November 2021.

(7) Mr. Shao Dan was appointed as a non-executive director of the Company with effect from 30 December 2022.

(8) Other than Mr. Zhi Xiaoye and Mr. Shao Dan who waived their remuneration from the Company for the year ended 31 December 2022, and Mr. Zhi Xiaoye who waived his remuneration from the Company for the year ended 31 December 2021, there was no agreement under which a director waived or agreed to waive any remuneration during these years.

(9) The board of directors has resolved to suspend Mr. Cheng Ming Kit's duties and powers as a non-executive director and deputy chairman of the Company with effect from 16 January 2021 and resolved to remove him as a non–executive director and deputy chairman of the Company with effect from 29 November 2021.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two (2021: two) directors, details of whose remuneration are set out in note (a) above. Details of the remuneration for the year of the three (2021: three) non-director highest paid employees are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**3,495**	3,416
Performance related bonuses	**205**	187
Contribution to defined contribution plans	**84**	54
	3,784	3,657

The remuneration of each of these non-director highest paid employees for the years ended 31 December 2022 and 2021 fell within the band of HK$1,000,001 to HK$1,500,000.

During the years ended 31 December 2022 and 2021, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office and there was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any remuneration during these years.

11. INCOME TAX

	2022 HK$'000	2021 HK$'000
Current – Mainland China		
Charge for the year	**12,417**	11,010
Under-provision in prior years	**–**	520
Deferred (note 35)	**(1,680)**	(3,031)
Total tax expense for the year	**10,737**	8,499

Notes:

(a) 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 Mainland China are calculated at the statutory tax rate of 25% (2021: 25%) on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

(b) A reconciliation of the income tax expense applicable to profit/(loss) before tax at the statutory tax rate of the PRC in which majority of the Group's operations are conducted to the income tax expense at the Group's effective tax rate is as follows:

	2022 HK$'000	2021 HK$'000
Profit/(loss) before tax	**22,321**	(270,058)
Income tax expense at the PRC statutory tax rate of 25% (2021: 25%)	**5,580**	(67,514)
Tax effect of expenses not deductible for tax purpose	**19,897**	166,013
Tax effect of income not subject to tax	**(25,113)**	(21,121)
Tax effect of tax losses not recognised	**70,025**	24,173
Tax effect of share of results of joint ventures and associates	**(59,652)**	(93,572)
Adjustments in respect of current tax of previous periods	**–**	520
Income tax expense at the Group's effective tax rate	**10,737**	8,499

12. 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.

13. DIVIDENDS

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

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2022:									
Cost		115,001	3,457	495,881	180,087	9,014	16,691	103,892	924,023
Accumulated depreciation and impairment		(51,657)	(3,013)	(214,178)	(90,164)	(8,750)	(6,670)	(42,812)	(417,244)
Net carrying amount		63,344	444	281,703	89,923	264	10,021	61,080	506,779
Net carrying amount:									
At 1 January 2022		63,344	444	281,703	89,923	264	10,021	61,080	506,779
Acquisition of subsidiaries	40	13,231	-	123,385	36,636	8,639	638	34,982	217,511
Additions		-	-	6,096	497	480	1,441	39,191	47,705
Depreciation provided during the year		(5,444)	(18)	(20,158)	(29,365)	(1,960)	(1,500)	-	(58,445)
Impairment recognised during the year	19(b)	(8,000)	-	-	-	-	-	-	(8,000)
Disposals		-	(409)	(28)	(3,536)	(2,444)	(630)	(4,278)	(11,325)
Disposal of subsidiaries	41	(2,369)	-	-	-	(3,998)	-	(22,596)	(28,963)
Transfers		150	-	4,557	1,650	-	-	(6,357)	-
Exchange realignment		(8,525)	-	(16,186)	(10,117)	(391)	(731)	(1,579)	(37,529)
At 31 December 2022		52,387	17	379,369	85,688	590	9,239	100,443	627,733
At 31 December 2022:									
Cost		109,488	3,048	595,767	204,401	(5,471)	14,520	140,133	1,061,886
Accumulated depreciation and impairment		(57,101)	(3,031)	(216,398)	(118,713)	6,061	(5,281)	(39,690)	(434,153)
Net carrying amount		52,387	17	379,369	85,688	590	9,239	100,443	627,733

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2021

	Buildings HK$'000	Leasehold improvements HK$'000	Gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2021:								
Cost	104,352	3,417	458,493	172,039	5,784	20,707	103,951	868,743
Accumulated depreciation and impairment	(43,196)	(2,944)	(177,410)	(70,877)	(3,968)	(12,633)	(41,838)	(352,866)
Net carrying amount	61,156	473	281,083	101,162	1,816	8,074	62,113	515,877
Net carrying amount:								
At 1 January 2022	61,156	473	281,083	101,162	1,816	8,074	62,113	515,877
Additions	3,369	–	15,256	68	2,894	4,076	30,978	56,641
Depreciation provided during the year	(5,382)	(43)	(30,432)	(15,236)	(4,999)	(2,096)	–	(58,188)
Impairment recognised during the year (note 19(b))	(1,096)	–	–	(10,217)	–	–	–	(11,313)
Disposals	–	–	–	(11,933)	(74)	(326)	(304)	(12,637)
Transfers	3,764	–	6,745	22,969	597	–	(34,075)	–
Exchange realignment	1,533	14	9,051	3,110	30	293	2,368	16,399
At 31 December 2021	63,344	444	281,703	89,923	264	10,021	61,080	506,779
At 31 December 2021:								
Cost	115,001	3,457	495,881	180,087	9,014	16,691	103,892	924,023
Accumulated depreciation and impairment	(51,657)	(3,013)	(214,178)	(90,164)	(8,750)	(6,670)	(42,812)	(417,244)
Net carrying amount	63,344	444	281,703	89,923	264	10,021	61,080	506,779

Notes:

(a) (i) At 31 December 2021, certain property, plant and equipment of the Group with a total carrying amount of HK$22,387,000 were pledged as security for bank loans of HK$24,515,000 (note 32(b)(i)).

(ii) At 31 December 2022, certain buildings and gas pipelines of the Group with a total carrying amount of HK$93,462,000 (2021: HK$103,881,000) were pledged as security for other loans of HK$87,115,000 (2021: HK$96,765,000) (note 32(b)(iii)).

(b) Certain of the Group's entities engaged in the operation of natural gas refueling stations and direct supply of LNG to industrial users have been loss-making for some time, and this situation constituted impairment indicators of the non-current assets including property, plant and equipment and right-of-use assets attributable to the relevant cash-generating units. Accordingly, the Group carried out an impairment testing of these assets as at 31 December 2022 in accordance with IAS 36 *Impairment of Assets*. In this connection, the Company had engaged an external specialist to assess the value in use of the non-current assets or relevant cash-generating units by using the discounted cash flow method, details of which are set out in note 19 to the financial statements.

15. INVESTMENT PROPERTIES

	Notes	2022 HK$'000	2021 HK$'000
At 1 January:			
Cost and net carrying amount		**44,757**	36,635
Net carrying amount:			
At 1 January		**44,757**	36,635
Acquisition of subsidiaries	40	**3,429**	–
Additions	(a)	**35,489**	7,228
Depreciation provided during the year		**(2,824)**	–
Disposal		**(3,429)**	–
Exchange realignment		**(4,007)**	894
At 31 December		**73,415**	44,757
At 31 December:			
Cost		**76,175**	44,757
Accumulated depreciation		**(2,760)**	–
Net carrying amount		**73,415**	44,757

Notes:

(a) During the year ended 31 December 2022 and 2021, certain trade receivables arising from gas connection services provided to property developers and overdue loan receivables were settled by the transfer of ownership of properties owned by the debtors to the Group in lieu of cash settlements. Accordingly, at the time of settlement, the carrying amounts of the related trade receivables and loan receivable were derecognised and the properties that have been transferred to the Group were recognised as investment properties as at their then fair values. The differences between the fair values of the properties transferred to the Group and the then carrying amounts of the relevant receivables amounted to HK$18,627,000 (2021: Nil) in total, which were recognised as other income in profit or loss for the year ended 31 December 2022 (note 7).

(b) The total fair value of the Group's investment properties as at 31 December 2022 amounted to HK$77,993,000 (2021: HK$44,757,000), with reference to a valuation performed by CHFT Advisory and Appraisal Limited, an independent professionally qualified valuer.

16. LEASES

(a) The Group as a lessee

The Group has lease arrangements as a lessee for various office premises with lease periods ranging from 2 to 20 years. In addition, lump sum payments were made upfront to acquire certain leasehold land in Mainland China from the owners with lease periods ranging from 2 to 50 years, and no ongoing payments will be made under the terms of these land leases.

Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No long-term lease contracts have extension and termination options.

16. LEASES (Continued)

(a) The Group as a lessee (Continued)

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Office premises HK$'000	Total HK$'000
At 1 January 2021	35,492	11,381	46,873
Additions	–	18,835	18,835
Depreciation provided during the year	(5,898)	(8,897)	(14,795)
Exchange realignment	1,669	352	2,021
At 31 December 2021 and 1 January 2022	**31,263**	**21,671**	**52,934**
Acquisition of subsidiaries (note 40)	**3,462**	**4,970**	**8,432**
Depreciation provided during the year	**(3,216)**	**(7,904)**	**(11,120)**
Exchange realignment	**(1,072)**	**(1,418)**	**(2,490)**
At 31 December 2022	**30,437**	**17,319**	**47,756**

Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**20,248**	12,235
New leases	**–**	15,969
Accretion of interest recognised during the year	**923**	987
Acquisition of subsidiaries (note 40)	**4,478**	–
Payments	**(9,875)**	(9,326)
Exchange realignment	**(727)**	383
At 31 December	**15,047**	20,248
Portion classified as current liabilities	**(5,931)**	(9,324)
Non-current portion	**9,116**	10,924

The maturity analysis of lease liabilities is disclosed in note 47 to the financial statements.

16. LEASES (Continued)

(a) The Group as a lessee (Continued)

Other lease information

The amounts recognised in profit or loss in relation to leases are as follows:

	Notes	2022 HK$'000	2021 HK$'000
Interest expense on lease liabilities	8	**923**	987
Depreciation of right-of-use assets	9	**11,120**	14,795
Expense relating to short-term leases (included in administrative expenses)	9	**845**	1,750
Total amount recognised in profit or loss		**12,888**	17,532

The total cash outflow for leases is disclosed in note 42(c) to the financial statements.

(b) The Group as a lessor

The Group leases cetain of its plant and equipment in the PRC under operating lease arrangements. The terms of the leases generally require the customers to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$5,264,000 (2021: Nil), details of which are included in note 7 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its customers are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**3,069**	–
After one year but within two years	**2,625**	–
	5,694	–

17. GOODWILL

	Notes	2022 HK$'000	2021 HK$'000
At 1 January:			
Cost		**1,495,415**	1,472,006
Accumulated impairment		**(897,432)**	(869,627)
Net carrying amount		**597,983**	602,379
Net carrying amount:			
At 1 January		**597,983**	602,379
Acquisition of subsidiaries	40	**179,061**	23,409
Impairment recognised during the year	19(a)	**–**	(27,805)
At 31 December		**777,044**	597,983
At 31 December:			
Cost		**1,674,476**	1,495,415
Accumulated impairment		**(897,432)**	(897,432)
Net carrying amount		**777,044**	597,983

The Group tests for impairment of goodwill annually, or more frequently if there are indications that goodwill might be impaired. Particulars regarding impairment testing of goodwill are disclosed in note 19 to the financial statements.

18. OPERATING RIGHTS

	Notes	2022 HK$'000	2021 HK$'000
At 1 January:			
Cost		**677,224**	1,058,743
Accumulated amortisation and impairment		**(606,519)**	(975,905)
Net carrying amount		**70,705**	82,838
Net carrying amount:			
At 1 January		**70,705**	82,838
Acquisition of subsidiaries	40	**344,497**	–
Amortisation provided during the year		**(5,637)**	(5,239)
Impairment recognised during the year	19(a)	**–**	(6,894)
At 31 December		**409,565**	70,705
At 31 December:			
Cost		**1,021,721**	677,224
Accumulated amortisation and impairment		**(612,156)**	(606,519)
Net carrying amount		**409,565**	70,705

(a) The operating rights of city gas operations in the PRC are amortised on the straight-line method over periods ranging from 10 to 30 years pursuant to the terms of the operating rights granted. Particulars regarding impairment testing of operating rights are disclosed in note 19 to the financial statements.

(b) At 31 December 2022, future revenue from the city gas operation of a subsidiary of the Group under an operating right which had a then net carrying amount of HK$367,148,000 was pledged to a bank for certain bank loans granted to the Group (note 32b(i)).

19. IMPAIRMENT TESTING OF NON-CURRENT ASSETS OF CERTAIN OPERATIONS

The management considers that each subsidiary represents a separate cash-generating unit for the purpose of impairment of testing of goodwill, operating rights and other non-current non-financial assets. The recoverable amount of each cash-generating unit has been determined by reference to a business valuation performed by an external specialist based on a value-in-use calculation using cash flow projection which is based on a financial forecast approved by senior management covering a period of five to ten years and based on the assumption that the operation can generate cash flows perpetually. The discount rates applied to the cash flow projections ranged from 10.4% to 11.6% (2021: 10% to 11.9%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant cash-generating unit. A growth rate of 2% to 3% (2021: 3%) is applied after the forecast period.

19. IMPAIRMENT TESTING OF NON-CURRENT ASSETS OF CERTAIN OPERATIONS (Continued)

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill, operating rights and other non-current non-financial assets:

- **Budgeted revenue**
  - In respect of the revenue from the city gas operation segment, the budgeted revenue is based on the projected gas distribution volume and pipeline connection projects, and the latest gas selling price and connection fee.
  - In respect of the revenue from the trading and distribution of natural gas, direct supply of LNG to industrial users and natural gas refueling station operation, the budgeted revenue is based on the projected distribution quantity, and the latest selling price.
- **Budgeted gross margins**
  - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, having adjusted for expected efficiency improvements, and expected market development.
- **Discount rates**
  - The discount rates used are after tax and reflect specific risks of the respective segments.
  - The pre-tax discount rates applied in the cash flow projections ranged from 12.09% to 12.33% (2021: 13.33% to 15.87%).
- **Business environment**
  - There have been no major changes in the existing political, legal and economic conditions in Mainland China.

19. IMPAIRMENT TESTING OF NON-CURRENT ASSETS OF CERTAIN OPERATIONS (Continued)

Key assumptions used in estimations of the recoverable amounts (Continued)

- **Distribution of gas business in Jilin Province**

  吉林浩源燃氣有限公司 ("Jilin Haoyuan") and Songyuan Beijing Gas Blue Sky, both being subsidiaries of the Group, are engaging in gas distribution business in Jilin Province, the PRC. In 2017, the underground gas pipeline of Jilin Haoyuan was damaged due to illegal underground construction by a third party, during which an explosion occurred (the "Accident"). Following the Accident, the gas operating permit of Jilin Haoyuan was not renewed by the relevant local authority. With the consent of the local authorities, Jilin Haoyuan entered into an entrusted operation agreement with Songyuan Beijing Gas Blue Sky pursuant to which Songyuan Beijing Gas Blue Sky will continue with the operation of Jilin Haoyuan and such arrangement is subject to approval by the local authorities annually. For impairment assessment purpose, the management assumes that the relevant business will be continued uninterrupted.

(a) Goodwill and operating rights

The carrying amounts of the Group's goodwill and operating rights are allocated to the following cash-generating units for impairment tests purpose:

	2022 **HK$'000**	2021 HK$'000
Goodwill		
Energy Shell Limited	**6,433**	6,433
Day Zone Limited	**–**	6,674
OctoNet Limited and August Zone Limited ("OctoNet and August Zone")	**105,891**	105,891
Top Grand Global Limited ("Top Grand")	**370,764**	370,764
Rainbow Leap Limited	**141,777**	103,248
上海萬興能源技術有限公司	**–**	4,973
BJ Gas Tengxian	**152,179**	–
	777,044	597,983

19. IMPAIRMENT TESTING OF NON-CURRENT ASSETS OF CERTAIN OPERATIONS (Continued)

Key assumptions used in estimations of the recoverable amounts (Continued)

(a) Goodwill and operating rights (Continued)

	2022 **HK$'000**	2021 HK$'000
Operating rights		
Smart Union Holdings Limited	**3,150**	3,500
OctoNet and August Zone	**18,385**	19,969
Top Grand	**43,533**	47,236
BJ Gas Tengxian	**344,497**	–
	409,565	70,705

Based on the results of the impairment testing of goodwill and operating rights, in the opinion of the directors of the Company, no further impairment provision was considered necessary for the year ended 31 December 2022. In respect of the year ended 31 December 2021, impairment provisions against the goodwill and operating rights attributable to the relevant subsidiaries of HK$27,805,000 and HK$6,894,000, respectively, were considered necessary, which were charged to profit or loss for the year ended 31 December 2021.

(b) Property, plant and equipment and right-of-use assets of certain loss-making operations

In respect of the loss-making operations, the directors had estimated the recoverable amounts (which is the value-in-use of the non-current assets of these operations) for the purpose of impairment testing as mentioned above.

Based on the recoverable amount assessment of the cash-generating units of these operations, impairment losses of HK$8,000,000 (2021: HK$11,313,000) in total against the property, plant and equipment attributable to the direct supply to industrial users segment (2021: natural gas refueling stations segment) were considered necessary, which were recognised as "Impairment of non-financial assets, net" in profit or loss during the years ended 31 December 2022 and 2021.

20. INVESTMENTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
Share of net assets	**24,719**	19,522
Goodwill on acquisition	**138,893**	138,893
	163,612	158,415
Impairment (note (b))	**(138,893)**	(138,893)
	24,719	19,522

Notes:

(a) In the opinion of the Company's directors, the joint ventures of the Group are not individually material.

(b) The movement in the impairment for the investments in joint ventures during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**138,893**	177,750
Written off	**–**	(38,857)
At 31 December	**138,893**	138,893

21. INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
Share of net assets	**1,922,091**	2,108,829
Goodwill on acquisition	**130,810**	130,810
	2,052,901	2,239,639
Impairment (note (d))	**(159,633)**	(159,633)
	1,893,268	2,080,006

Notes:

(a) Particulars of the Group's material associate, which is indirectly held by the Company, are as follows:

			Percentage of			
Company name	Place of incorporation and operation	Paid-up capital	Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
中石油京唐液化天然氣有限公司 ("PetroChina Jingtang")	The PRC/ Mainland China	RMB3,150,000,000	29%	29%	29%	Provision of port facilities for vessels, receiving, storage and re-gasification of LNG

21. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(a) (Continued)

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(b) Material associate disclosures

The following table illustrates the summarised financial information of PetroChina Jingtang, which has been adjusted to reflect the fair values of identifiable assets and liabilities at the completion date of acquisition acquired by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	PetroChina Jingtang	
	2022 HK$'000	2021 HK$'000
Current assets	**2,041,128**	1,926,313
Non-current assets	**4,737,165**	5,557,929
Current liabilities	**(352,000)**	(420,984)
Net assets	**6,426,293**	7,063,258
Reconciliation to the Group's investment in the associate		
Proportion of the Group's ownership	**29%**	29%
Group's share of net assets of the associate	**1,863,625**	2,048,345
Carrying amount of the investment	**1,863,625**	2,048,345
Other disclosures		
Revenue	**1,948,583**	2,415,017
Profit for the year	**842,741**	1,296,639
Profit for the year attributable to shareholders of the associate	**842,741**	1,296,639
Share of the associate's profit for the year	**244,395**	376,025
Dividend received and receivable by the Group	**269,767**	209,667

(c) The following table illustrate the aggregate financial information of the Group's associates that are not individually material:

	2022 HK$'000	2021 HK$'000
Share of the associates' profit/(loss) for the year	**(1,491)**	(1,736)
Share of the associates' other comprehensive income for the year	**–**	725
Share of net assets of the associates, net of impairment	**29,643**	31,661

21. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(d) The movement in the impairment for the investments in associates during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**159,633**	159,899
Reversal of impairment recognised during the year	**–**	(266)
At 31 December	**159,633**	159,633

22. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

	Notes	2022 HK$'000	2021 HK$'000
Deposits paid for acquisition of subsidiaries	(a)	**917,772**	1,201,236
Impairment	(b)	**(917,772)**	(917,772)
		–	283,464

Notes:

(a) (i) The gross amount of the deposits paid as at 31 December 2021 included deposits of HK$90 million paid for the acquisition of 51% equity interest in 唐山華普燃氣有限公司 ("Tangshan Huapu") by the Group from an equity holder of Tangshan Huapu (the "Tangshan Huapu Owner") in accordance with a memorandum entered into between, amongst others, the Group and the Tangshan Huapu Owner in August 2021.

Prior to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020 (the "FY2020 Financial Statements") on 30 September 2021, the Group was in negotiation with the Tangshan Huapu Owner on the final consideration to be paid by the Group in respect of the acquisition. At that moment, the successful acquisition of the 51% equity interest of Tangshan Huapu by the Group depended on the outcome of certain events, including but not limited to (i) the successful negotiation between the Group and the Tangshan Huapu Owner on the final consideration for the acquisition; and (ii) the compliance with the Listing Rules in respect of the acquisition.

Subsequent to the issuance of the FY2020 Financial Statements, the Group completed the due diligence work on Tangshan Huapu and the board of directors eventually resolved to cease the acquisition due to the business risk of Tangshan Huapu and the failure to reach an agreement on the final consideration for the acquisition with the Tangshan Huapu Owner. The board of directors considered that it is unlikely to recover the deposits paid by the Group and thus an impairment loss of HK$90 million (which is the carrying amount of the deposits after exchange realignment adjustment) was recognised in profit or loss during the year ended 31 December 2021.

22. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(a) (Continued)

(ii) The gross amount of the deposits paid as at 31 December 2021 also included deposits of HK$50 million in total paid for the acquisition of 39% equity interest in each of Shanxi Minsheng (as defined in note 1) and Yongji Minsheng (as defined in note 1), both being non-wholly owned subsidiaries of the Group, from the non-controlling equity holder of Shanxi Minsheng and Yongji Minsheng (the "Shanxi Minsheng Original Shareholder") pursuant to an investment intention agreement and a supplementary agreement (collectively the "Investment Intention Agreements") entered into between the parties in November 2019. The acquisition was not completed within 14 months from the date of the Investment Intention Agreements, i.e., February 2021 and the deposits paid would have become non-refundable in accordance with the Investment Intention Agreements. Since the Group was in negotiation with the Shanxi Minsheng Original Shareholder for the acquisition, based on the assessment of the board of directors, the Group only recognised an expected credit loss of HK$10 million against these deposits in the FY2020 Financial Statements. Subsequent to the issuance of the Group's FY2020 Financial Statements in September 2021, the Group continued to negotiate with the Shanxi Minsheng Original Shareholder on the final consideration for the acquisition but the Group was unable to reach an agreement with the Shanxi Minsheng Original Shareholder and the Company's board of directors decided to cease the acquisition. In light of this, the board of directors considered that the chance of recovering the deposits paid to the Shanxi Minsheng Original Shareholder to be low and thus a full impairment against the deposits paid of approximately HK$50 million was recognised in profit or loss during the year ended 31 December 2021.

(b) The movement in the impairment of deposits for acquisition of subsidiaries during the year is as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**917,772**	772,033
Impairment recognised during the year (note (a))	**–**	145,739
At 31 December	**917,772**	917,772

23. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Construction materials	**5,153**	5,829
LNG and other consumables	**15,102**	9,434
	20,255	15,263

24. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**286,393**	382,264
Impairment (note (b))	**(174,572)**	(221,542)
	111,821	160,722

Notes:

(a) The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one month to three months, details of which are included in note 6(b) to the financial statements. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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

	2022 HK$'000	2021 HK$'000
Unbilled portion and billed with 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
	111,821	160,722

(b) The movements in the impairment of trade receivables during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**221,542**	191,080
Impairment/(reversal of impairment) recognised in the year, net	**(5,051)**	26,009
Amount written off as uncollectible	**(26,482)**	–
Exchange realignment	**(15,437)**	4,453
At 31 December	**174,572**	221,542

24. TRADE RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

Individual assessment is performed on certain receivables with aggregate gross amount of HK$148,690,000 (2021: HK$178,243,000) before accumulated impairment of HK$135,716,000 (2021: HK$178,243,000), and a reversal of impairment of HK$3,740,000 (2021: an impairment loss of HK$31,397,000) was recognised during the year.

For the amounts after impairment recognised based on individual assessment, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice dates for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2022

	Ageing based on invoice date				
	Unbilled and within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	**0.2%**	**0.5%**	**0.4%**	**61.7%**	
Gross carrying amount (HK$'000)	**56,013**	**11,070**	**7,941**	**62,679**	**137,703**
Expected credit losses (HK$'000)	**105**	**50**	**28**	**38,673**	**38,856**

At 31 December 2021

	Ageing based on invoice date				
	Unbilled and within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	1.1%	13.1%	36.2%	60%	
Gross carrying amount (HK$'000)	102,275	26,545	26,811	48,390	204,021
Expected credit losses (HK$'000)	1,127	3,465	9,695	29,012	43,299

25. CONTRACT ASSETS

Details of the Group's contract assets are as follows:

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Contract assets arising from pipeline construction services	**42,968**	25,965	52,551

Contract assets related to revenue earned from the provision of pipeline construction services for which the right to the receipt of consideration for work performed remains conditional on successful completion of the construction services. The increase in contract assets in 2022 was the result of the increase in the provision of construction services close to the end of the year.

Based on historical data and management's analysis, the loss on collection was not material and hence no provision for ECL against the contract assets as at 31 December 2022 was considered necessary (2021: Nil).

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2022 HK$'000**	2021 HK$'000
Prepayments		**172,820**	230,407
Loan and bond receivables		**389,124**	431,599
Deposits and other receivables	(a)	**616,586**	593,512
		1,178,530	1,255,518
Impairment	(b)	**(656,573)**	(717,936)
		521,957	537,582
Portion classified as current assets		**(519,930)**	(506,221)
Non-current portion		**2,027**	31,361

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) Other receivables as at 31 December 2022 included advances of HK$34,704,000 (2021: HK$38,266,000) in total provided to a non-controlling equity holder of a subsidiary of the Group. The balance is unsecured, interest-free and repayable on demand.

(b) The movements in the impairment of loan and bond receivables, and other receivables during the year are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**717,936**	606,510
Impairment/(reversal of impairment) recognised during the year, net	**(31,479)**	79,370
Amount written off as uncollectible	**(14,257)**	–
Exchange realignment	**(15,627)**	32,056
At 31 December	**656,573**	717,936

Individual assessment is performed on certain receivables with an aggregate gross amount of HK$662,070,000 (2021: HK$720,903,000) before accumulated impairment of HK$660,444,000 (2021: HK$707,678,000), and a reversal of impairment of HK$34,891,000 (2021: an impairment loss of HK$71,925,000) was recognised in profit or loss during the year.

In respect of impairment consideration of the Group's other receivables (other than those based on individual assessment), an impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probability of default rates are estimated based on comparable companies with published credit ratings. At 31 December 2022, the probability of default rates applied for other receivables ranged from 1% to 26.24% (2021: 1% to 28.6%) and the loss given default was estimated to be ranging from 35% to 61.7% (2021: 60% to 62.9%).

27. DUE FROM/TO JOINT VENTURES, ASSOCIATES AND RELATED PARTIES

The balances with joint ventures, associates and related parties are unsecured, interest free, and are repayable on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Unlisted investments (note)	–	17,381
Listed equity securities	127	340
	127	17,721

Note: The unlisted investment as at 31 December 2021 were structural saving products issued by a bank in Mainland China and were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. They were fully redeemed during the current year.

29. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash and bank balances other than time deposits	547,386	724,965
Time deposits	22,727	25,088
Total cash and bank balances	570,113	750,053
Less: Restricted cash and pledged deposits (note (c))	(16,051)	(519,108)
Cash and cash equivalents	554,062	230,945

Notes:

(a) At 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to HK$227,462,000 (2021: HK$699,948,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for terms up to one year (2021: seven days) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The saving and time deposits are deposited with creditworthy banks and a financial institution with no recent history of default.

(c) Restricted cash and pledged deposits as at the end of the reporting period comprised the following:

(i) bank balances of HK$22,072,000 as at 31 December 2021 which could mainly be used for the payment of bank loan interest;

(ii) bank balances of HK$5,833,000 (2021: HK$497,036,000) as at 31 December 2022 which were pledged to secure certain bank loans granted to the Group (note 32(b)(i)); and

(iii) restricted cash of HK$10,218,000 (2021: Nil) as at 31 December 2022 which was pledged to secure certain bills payable of the Group.

30. 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, is 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 12 months	**53,748**	96,743
	107,443	271,226
Unbilled	**23,596**	23,148
	131,039	294,374

31. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Accruals	**60,224**	34,359
Other liabilities	**143,251**	122,239
Construction cost payables	**11,235**	15,163
Contract liabilities (note)	**246,061**	246,590
	460,771	418,351

Note: Details of the Group's contract liabilities are as follows:

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Short-term advances received from customers in respect of:			
Sale of natural gas	**195,901**	201,535	205,814
Pipeline construction contracts	**50,160**	45,055	62,854
Total contract liabilities	**246,061**	246,590	268,668

32. BANK AND OTHER BORROWINGS

	Notes	2022 HK$'000	2021 HK$'000
Bank loans:			
Secured	(b(i))	**307,254**	766,908
Unsecured		**1,089,321**	2,167,210
		1,396,575	2,934,118
Corporate bonds, unsecured		**287,098**	548,854
Loan from the immediate holding company, secured	(b(ii))	**700,000**	–
Other loans, secured	(b(iii))	**87,115**	96,765
		2,470,788	3,579,737
Portion classified as current liabilities		**(1,700,276)**	(3,486,413)
Non-current portion		**770,512**	93,324

Notes:

(a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
HK$	**2,061,064**	2,886,589
RMB	**157,791**	124,957
EUR	**111,329**	–
US$	**140,604**	568,191
Total bank and other borrowings	**2,470,788**	3,579,737

(b) (i) The secured bank loans as at 31 December 2022 were secured by bank balances of HK$5,833,000 (note 29(c)(ii)) and future revenue generated from the city gas operation of a subsidiary of the Group under an operating right which had a net carrying amount of HK$367,148,000 as at 31 December 2022 (note 18(b)).

The secured bank loans as at 31 December 2021 were secured by certain property, plant and equipment of the Group with a total carrying amount of HK$22,387,000, bank balances of HK$497,036,000, share charge over 100% equity interest of a subsidiary of the Company and a corporate guarantee from a substantial shareholder of the Company.

(ii) The loan from the immediate holding company as at 31 December 2022 was a loan advanced to the Group from Beijing Gas HK pursuant to a facility agreement dated 26 September 2022 entered into between the two parties with a total loan facility of HK$700,000,000, which was fully utilised as at 31 December 2022. The loan from the immediate holding company is secured by 20.92% equity interest of a wholly-owned subsidiary of the Group, bears interest at HIBOR plus 2% per annum and has a maturity date of 31 December 2025.

This loan arrangement with the immediate holding company 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.

32. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) (Continued)

(iii) The other loans as at 31 December 2022 and 2021 were secured by certain buildings and gas pipelines of the Group with a total carrying amount of approximately HK$93,462,000 (2021: HK$103,881,000) as at that date (note 14(a)(ii)).

(c) The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank and other borrowings are as follows:

	2022	2021
	%	%
Effective interest rate:		
Fixed-rate bank loans	**1.60-2.75**	2.69
Variable-rate bank loans	**2.30-8.60**	1.83-4.53
Fixed-rate other loans	**2.30-5.83**	6.35
Variable-rate other loans	**7.6**	–

(d) The loan agreements in respect of certain bank loans include certain conditions imposing specific performance obligations on the Company. During the years ended 31 December 2022 and 2021, certain events of default set out in certain bank loan agreements took place, including suspension of trading of the Company's shares on the Stock Exchange and/or non-compliance with financial covenants, and as a result, the relevant bank loans have become immediately repayable on demand. Accordingly, the long term portion of the relevant bank loans were classified as current liabilities in these financial statements, which amounted to NIL and HK$1,301 million as at 31 December 2022 and 2021, respectively. Subsequent to the reporting period, the Group fully repaid the relevant bank loans in January 2023 using the proceeds from the syndicated loan as mentioned in note 2.1 to the financial statements.

33. CONVERTIBLE BOND

On 28 December 2022, pursuant to a subscription agreement dated 26 September 2022 (the "Convertible Bond Subscription Agreement") entered into between the Company, as the issuer, and a then major shareholder, Beijing Gas HK, as the subscriber, a convertible bond of the Company with an aggregate principal amount of HK$300,000,000 was issued to Beijing Gas HK. The convertible bond is secured by 8.37% equity interest of a wholly-owned subsidiary of the Group, bears interest at HIBOR plus 1.8% per annum and has a maturity date of 28 December 2025, which may be further extended by 3 months by agreement in writing between the Company and the bondholder. Beijing Gas HK, the bondholder shall have the right to convert all or part of the convertible bond into ordinary shares of the Company at an initial conversion price of HK$0.118 per share. The subscription of the convertible bond 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.

33. CONVERTIBLE BOND (Continued)

A summary of the movements in the principal amount, liability and equity components of the Group's convertible bond during the year is as follows:

	HK$'000
Principal amount outstanding	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Issue of a convertible bond	300,000
At 31 December 2022	300,000
Liability component	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Issue of a convertible bond	236,263
At 31 December 2022	236,263
Equity component	
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Issue of a convertible bond	63,737
At 31 December 2022	63,737

The carrying amount of the liability component of the convertible bond approximated to its fair value as at 31 December 2022.

34. PROVISION FOR LITIGATIONS

During the year ended 31 December 2022, the Group involved in two litigations (the "Litigations") under which certain claims were made by two claimants against Benxi Liaoyou New Era Co., Ltd ("Benxi Liaoyou") (a 90% indirectly-held subsidiary of the Company) as one of the defendants, in connection with a finance lease arrangement (the "Finance Lease") entered into between a third party (the "Lessor") as the lessor, and Benxi Liaoyou together with a company in which the non-controlling equity holder of Benxi Liaoyou (the "Benxi Liaoyou MI") has beneficial interests (the "Leased Assets User") as the lessees in December 2016. Benxi Liaoyou and the Leased Assets User are collectively referred to as the "Lessees".

In accordance with the Finance Lease, the Lessor shall acquire certain liquefied natural gas equipment (the "Leased Assets") and then lease the same to the Lessees for a term of 72 months from 15 December 2017. The total amount of the lease payments under the Finance Lease is approximately RMB201.7 million. The obligations of the Lessees under the Finance Lease are secured and guaranteed by, amongst others, the following (the "Securities"):

a) a security deposit from the Lessees of RMB10.8 million;

b) an assignment of trade receivables from a public-private partnership project provided by Benxi Liaoyou in favour of the Lessor; and

c) guarantees and share pledges given by other defendants in favour of the Lessor.

34. PROVISION FOR LITIGATIONS (Continued)

A company (the "First Litigation Claimant") filed a statement of claim with a court in Mainland China in February 2022 against, amongst others, the Lessees, alleging that the Lessor acquired the Leased Assets under another finance lease arrangement between it as the lessor and the Lessor as the lessee and the Lessor failed to fulfil its payment obligations under this finance lease arrangement since December 2021 (the "First Litigation"). In January 2022, the First Litigation Claimant thus commenced a litigation via subrogation.

On the other hand, the Lessor filed a statement of claim with another court in Mainland China in March 2022 against, amongst others, the Lessees, alleging that the Lessees made late instalment payments under the Finance Lease starting from September 2018 and failed to make full instalment payments thereunder since December 2019 (the "Second Litigation").

Based on latest information available to the Group, the total claims relating to Benxi Laioyou under the First Litigation and the Second Litigation amounted to RMB80 million and RMB222 million, respectively, and where applicable, plus additional damages accruing from 12 February 2022.

In addition, both the First Litigation Claimant and the Lessor sought the enforcement of the Securities. According to an order issued by the Court on 15 February 2022, certain assets held by the defendants (i.e., including Benxi Liaoyou) have been frozen by the Court. At 31 December 2022, the carrying amount of the frozen assets owned by Benxi Liaoyou amounted to RMB7 million, which included cash at bank of RMB1.9 million (2021: RMB1.3 million) and trade receivables of RMB1 million (2021: RMB0.3 million).

The Litigations have not been concluded as at 31 December 2022 and the date of approval of these financial statements.

Assessment of financial impact by the management

The Group has engaged PRC legal advisors to handle the Litigations and from the evidence provided by the claimants to the courts and other information gathered by the Group, the board of directors suspects that the Benxi Liaoyuo MI had procured the entry into the Finance Lease by Benxi Liaoyuo without approval of the then board of Benxi Liaoyou or the Company. Also, despite that the Finance Lease was entered into by both Benxi Liaoyou and the Leased Assets User, the leased assets appeared to be used by the Leased Assets User only and the amounts advanced under the Finance Lease were directly paid to parties who are not related to Benxi Liaoyou and appeared to have business relationship with the Leased Assets User.

Since the Lessees are not ultimately controlled by the same party, the PRC legal advisor is of the view that the Leased Assets User may be deemed by the courts to be the actual lessee and Benxi Liaoyou may be deemed as the guarantor under the Finance Lease. However, the legality of the guarantee and the pledge of the Securities provided by Benxi Liaoyou under the Finance Lease may be subject to challenge by the courts as further evidence may be required to prove that (i) the guarantee and pledge had been properly and genuinely approved by the board of Benxi Liaoyou as required by its memorandum of articles; and (ii) the Lessor had inspected the approval documents before entering into the lease contract according to the PRC law.

34. PROVISION FOR LITIGATIONS (Continued)

Assessment of financial impact by the management (Continued)

In the opinion of the directors, the Group's liabilities in respect of the claimants' claims and the Finance Lease depend on the outcomes of the Litigations, which remain uncertain as at the date of approval of these financial statements. In assessing the financial impact of the Litigations on the Group's consolidated financial statements for each of the years ended 31 December 2022 and 2021, the Group engaged an external valuer to estimate the potential liability of the Group under the Litigations as at 31 December 2022 and 2021. When performing the estimation, the external valuer has taken into certain factors, including: (i) the possible amount that could be recovered by the Lessor from the Leased Assets User as the actual lessee under the Finance Lease; and (ii) the possible outcome of the court judgement in accordance with the opinion of the legal advisor engaged by the Group.

Based on the estimation, a provision has been made by the Group in these financial statements for the potential liability under the Litigations and the movements in the provision during each of the years ended 31 December 2022 and 2021 are as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**79,673**	–
Provision/(reversal of provision) recognised during the year	**(30,571)**	79,673
Exchange realignment	**(5,115)**	–
At 31 December	**43,987**	79,673

35. DEFERRED TAX

Deferred tax liabilities

Deferred tax liabilities as at the end of each reporting period arose from fair value adjustments of intangible assets upon acquisition of subsidiaries. The movements in the Group's deferred tax liabilities during the year are as follows:

	Notes	**2022** **HK$'000**	2021 HK$'000
At 1 January		**17,502**	20,533
Acquisition of subsidiaries	40	**92,268**	–
Deferred tax credited to profit or loss	11	**(1,680)**	(3,031)
At 31 December		**108,090**	17,502

35. DEFERRED TAX (Continued)

Unrecognised deferred tax

(a) At 31 December 2022, deferred tax assets have not been recognised in respect of unused tax losses of approximately HK$324 million (2021: HK$264 million) as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK$62 million (2021: HK$49 million) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends declared by those subsidiaries, joint ventures and associates established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries, joint ventures and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,395 million (2021: HK$1,290 million) as at 31 December 2022.

36. SHARE CAPITAL

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

36. SHARE CAPITAL (Continued)

A summary of movements in the Company's issued capital and share premium account is 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 acquisition of subsidiaries (note (b))	**3,500,000,000**	**192,500**	**168,000**	**360,500**
At 31 December 2022	**22,736,114,715**	**1,250,486**	**4,594,861**	**5,845,347**

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") 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 ("Sapphire Gas"). The acquisition date fair value of these consideration shares, as determined based on the then 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 which are set out in note 40(a)(ii) to the financial statements and the Company's circular dated 31 October 2022.

37. SHARE OPTION SCHEME

At the special general meeting of the Company held on 26 May 2011, the terms of a share option scheme was adopted by the Company to provide incentive to eligible participants to work better for the interests of the Group, under which the board of directors may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries (collectively referred to as the "Grantees").

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company must not in aggregate exceed 10% of the total number of shares in issue from time to time. The total number of shares which may fall to be issued upon exercise of the share options granted under the share option scheme to each of the Grantees in any 12 months period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director of the Company, the chief executive officer or substantial shareholder of the Company or any of their respective associates is required to be approved by independent non-executive directors of the Company. If the board of directors proposed to grant options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12 month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subject to the shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the board of directors. Upon acceptance of the options, the Grantee shall pay Singapore dollar 1.00 (or the equivalent HK$) to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the share option scheme shall be priced by the board of directors in its absolute discretion, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercised will be determined by the board of directors in its absolute direction, and option may be exercised in accordance with the terms of the share option scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

37. SHARE OPTION SCHEME (Continued)

During the year ended 31 December 2021, all outstanding share options were forfeited upon resignation or removal of certain directors and as a result, an amount of HK$123,000 was transferred from the share option reserve to accumulated losses during that year.

The following table discloses the movements of the Company's share options during the year ended 31 December 2021:

Category of grantee	Exercise price per share option HK$	Date of grant	Exercisable period	Number of share options as at 1 January 2021	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed/ forfeited during the year	Number of share options as at 31 December 2021
Directors:								
Mr. Cheng Ming Kit#	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	(9,962,690)	–
Mr. Lim Siang Kai@	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	(2,490,670)	–
Mr. Wee Piew@	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	(2,490,670)	–
Total				14,944,030	–	–	(14,944,030)	–

The board of directors of the Company has resolved to suspend Mr. Cheng Ming Kit's duties and powers as a non-executive director and deputy chairman of the Company with effect from 16 January 2021 and resolved to remove Mr. Cheng as a non-executive director and deputy chairman of the Company with effect from 29 November 2021.

@ Mr. Lim Siang Kai and Mr. Wee Piew resigned as independent non-executive directors of the Company with effect from 29 November 2021.

The share option scheme of the Company expired on 26 May 2021 and the Company currently does not have any effective share option scheme. As at 31 December 2021 and 2022, there were no share options outstanding under the share option scheme.

38. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Share premium account represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value. The application of the share premium account is governed by section 46(2) of the Companies Act 1981 of Bermuda (as amended).

(c) Investment revaluation reserve comprises the accumulated gains and losses arising on the change in fair value of financial assets at fair value through other comprehensive income that have been recognised in other comprehensive income. Gains and losses on equity investments are never recycled to profit or loss.

(d) Merger reserve arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the equity interests of the subsidiaries acquired as at 26 March 2007 and the then consolidated net assets of these subsidiaries.

(e) Other reserves comprise PRC reserve funds which amounted to HK$61,188,000 (2021: HK$36,505,000) as at 31 December 2022. As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the Mainland China are required to maintain certain statutory reserves. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

(f) Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the presentation currency of these financial statements.

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(a) 重慶賽廣博科技有限公司 and its subsidiaries (collectively referred to as the "Shanxi Group")

重慶賽廣博科技有限公司 is a 51% owned subsidiary of the Group and holds 100% equity interests in Shanxi Minsheng and Yongji Minsheng. The Shanxi Group was considered subsidiaries that have material non-controlling interests during the years ended 31 December 2022 and 2021, and summarised financial information of which is set out below:

	2022 **HK$'000**	2021 HK$'000
Consolidated profit/(loss) for the year allocated to the non-controlling interests	**14,749**	(8,189)
Accumulated balances of the non-controlling interests at the reporting date	**62,670**	47,353

The following tables illustrate the summarised consolidated financial information of the Shanxi Group which is before any inter-company eliminations:

	2022 **HK$'000**	2021 HK$'000
Revenue	**433,465**	435,955
Total expenses	**(403,375)**	(452,667)
Profit/(loss) for the year and total comprehensive income/(loss) for the year	**30,090**	(16,712)
Current assets	**259,455**	353,977
Non-current assets	**309,213**	308,069
Current liabilities	**(294,823)**	(471,405)
Non-current liabilities	**(110,883)**	(66,059)
Net cash flows from/(used in):		
Operating activities	**19,895**	(30,579)
Investing activities	**(4,559)**	5,352
Net increase/(decrease) in cash and cash equivalents	**15,336**	(25,227)

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

(b) BJ Gas Tengxian

BJ Gas Tengxian, a 51% owned subsidiary of the Group held by Sapphire Gas which was acquired during the year ended 31 December 2022, was considered a subsidiary that has material non-controlling interests during the year ended 31 December 2022, and summarised financial information of which is set out below:

	2022 HK$'000
Profit for the year allocated to the non-controlling interests	**–***
Accumulated balances of the non-controlling interests at the reporting date	**200,152**

The following tables illustrate the summarised financial information of BJ Gas Tengxian:

	2022 HK$'000
Current assets	**80,707**
Non-current assets	**524,937**
Current liabilities	**(90,163)**
Non-current liabilities	**(107,008)**

* As BJ Gas Tengxian was acquired by the Group close to the end of the current year, its operating performance and cash flows for the year ended 31 December 2022 were not consolidated by the Group.

40. ACQUISITION OF SUBSIDIARIES

The fair values of the identifiable assets and liabilities of the subsidiaries acquired and assumed as at the date of acquisition were as follows:

		2022			
	Notes	**Bochen Group** HK$'000 (note (a)(i))	**Sapphire Gas** HK$'000 (note (a)(ii))	**Total** **HK$'000**	2021 HK$'000 (note (b))
Net assets acquired:					
Property, plant and equipment	14	43,948	173,563	**217,511**	–
Investment properties	15	3,429	–	**3,429**	–
Right-of-use assets	16(a)	2,458	5,974	**8,432**	–
Operating right	18	–	344,497	**344,497**	–
Investments in joint ventures		26,140	–	**26,140**	12,109
Financial asset at fair value through profit or loss		–	–	**–**	17,381
Trade receivables		14,033	2,320	**16,353**	5,220
Contract assets		–	17,388	**17,388**	–
Prepayments, deposits and other receivables		155,698	25,567	**181,265**	168,062
Inventories		1,041	4,238	**5,279**	–
Cash and bank balances		5,560	32,098	**37,658**	–
Trade and bills payables		(5,440)	(15,088)	**(20,528)**	–
Other payables and accruals		(43,360)	(29,599)	**(72,959)**	(46,869)
Bank and other borrowings		–	(61,585)	**(61,585)**	–
Lease liabilities	16(a)	(2,577)	(1,901)	**(4,478)**	–
Deferred tax liabilities	35	(3,269)	(88,999)	**(92,268)**	–
Total identifiable net assets at fair value		197,661	408,473	**606,134**	155,903
Non-controlling interests		1,457	(200,152)	**(198,695)**	(3,921)
		199,118	208,321	**407,439**	151,982
Goodwill on acquisition	17	26,882	152,179	**179,061**	23,409
		226,000	360,500	**586,500**	175,391
Satisfied by:					
Reclassification from interests in joint ventures to interests in subsidiaries		–	–	**–**	175,391
Cash		226,000	–	**226,000**	–
Issue of consideration shares	36(b)	–	360,500	**360,500**	–
		226,000	360,500	**586,500**	175,391

40. ACQUISITION OF SUBSIDIARIES (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2022 HK$'000	2021 HK$'000
Cash and bank balances acquired	37,658	–
Cash consideration	(226,000)	–
Less: Deposit for the acquisition paid in prior years	226,000	–
Net inflow of cash and cash equivalents included in cash flows from investing activities	37,658	–

(a) Business combinations during the year ended 31 December 2022 included, inter alia, the following material transactions:

(i) On 28 February 2022, the Group completed the acquisition of the entire equity interest in 浙江博臣能源股份有限公司 ("Zhejiang Bochen") from independent third parties pursuant to an equity transfer agreement entered into between the parties on 25 February 2022. The cash consideration for the acquisition amounted to HK$226 million which had been paid in prior years as deposits for the acquisition.

Zhejiang Bochen and its subsidiaries (collectively, the "Bochen Group") are principally engaged in LNG trading and direct supply of LNG business in Mainland China and they become wholly-owned subsidiaries of the Group upon the completion of the acquisition.

Further details of the transaction are set out in the Company's announcement dated 12 April 2022.

(ii) On 30 December 2022, pursuant to the Tengxian Acquisition Agreement (as defined in note 36(b)), the Group completed the acquisition of 100% equity interest in Sapphire Gas from Beijing Gas Group at an aggregate consideration of HK$280,000,000, satisfied by the allotment and issue of 3,500,000,000 new ordinary shares of the Company to Beijing Gas HK, the designated wholly-owned subsidiary of Beijing Gas Group. Sapphire Gas is an investment holding company and indirectly owns 51% equity interest in BJ Gas Tengxian, which is engaged in the sale of gas, mainly piped natural gas and LNG; and the provision of construction and installation services of gas pipelines in Tengxian County, Guangxi Province, the PRC.

For accounting purpose, the consideration transferred to the vendor for the acquisition was determined based on the fair value of the ordinary shares of the Company issued as consideration for the acquisition as at the date of completion of the acquisition, which amounted to HK$360,500,000, based on the then quoted market price of the Company's shares.

Further details of the transaction are set out in the Company's circular dated 31 October 2022.

40. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Had the above acquisitions been effected at the beginning of the current year, the revenue of the Group for the year ended 31 December 2022 would have been approximately HK$2,115 million and the profit of the Group for the year would have been approximately HK$72 million.

(b) Business combinations during the year ended 31 December 2021 included acquisition of additional interests in certain joint ventures and the reclassification of a joint venture to a subsidiary after obtaining control over that joint venture. In the opinion of the directors, these transactions are individually immaterial to the Group.

No material changes to the revenue and loss of the Group for the year ended 31 December 2021 had these acquisitions been effected at the beginning of that year.

41. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group disposed of certain subsidiaries to various independent third parties at an aggregate cash consideration of HK$36,279,000. A summary of the net assets of these subsidiaries as at their respective dates of disposal is as follows:

	2022 **HK$'000**
Net assets disposed of:	
Property, plant and equipment (note 14)	**28,963**
Trade receivables	**7,022**
Prepayments, deposits and other receivables	**13,612**
Cash and bank balances	**3,883**
Inventories	**78**
Trade payables	**(473)**
Other payables and accruals	**(13,699)**
Non-controlling interests	**(1,149)**
	38,237
Loss on disposal of subsidiaries, net (note 9)	**(1,958)**
	36,279
Satisfied by cash	**36,279**

41. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2022 HK$'000
Cash consideration	**36,279**
Less: Cash and bank balances disposed of	**(3,883)**
Consideration outstanding as at 31 December 2022	**(18,139)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**14,257**

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year, consideration amounting to HK$226,000,000 for the acquisition of Zhejiang Bochen was satisfied by deposits paid to the vendor in prior years, details of which are included in note 40(a)(i) to the financial statements.

(ii) During the year, the Company issued 3,500,000,000 consideration shares with a total fair value of HK$360,500,000 for the acquisition of Sapphire Gas, details of which are included in notes 36(b) and 40(a)(ii) to the financial statements.

(iii) During the year, in lieu of cash settlement, an overdue trade receivable and a loan receivable amounting to approximately HK$18,000,000 (2021: HK$7,000,000) in total were settled by way of properties with a total fair value of HK$37,000,000 (2021: HK$7,000,000).

(iv) During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$15,969,000 in respect of lease arrangements for office premises.

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities

	Due to joint ventures HK$'000	Due to associates HK$'000	Bank and other borrowings HK$'000	Convertible bond HK$'000	Lease liabilities HK$'000
At 1 January 2021	168,304	4,411	3,518,449	–	12,235
Financing cash flow, net	–	(3,022)	61,288	–	(9,326)
Additions	–	–	–	–	15,969
Interest expenses	–	–	–	–	987
Elimination upon acquisition of subsidiaries	(101,883)	–	–	–	–
Exchange realignment	3,731	92	–	–	383
At 31 December 2021 and 1 January 2022	70,152	1,481	3,579,737	–	20,248
Financing cash flow, net	(6,315)	(1,481)	(1,168,478)	300,000	(9,875)
Acquisition of subsidiaries	–	–	61,585	–	4,478
Equity component of a convertible bond	–	–	–	(63,737)	–
Interest expenses	–	–	–	–	923
Exchange realignment	–	–	(2,056)	–	(727)
At 31 December 2022	63,837	–	2,470,788	236,263	15,047

(c) The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 HK$'000	2021 HK$'000
Within operating activities	**845**	1,750
Within investing activities	**–**	2,866
Within financing activities	**9,875**	9,326
Total cash outflow	**10,720**	13,942

43. CONTINGENT LIABILITIES

Save as disclosed in notes 34 and 48 to the financial statements regarding certain litigations against the Group in connection with matters which took place in prior years, the Group has no other material contingent liabilities as at 31 December 2022 and 2021.

44. RELATED PARTY DISCLOSURES

(a) Related party transactions

In addition to the transactions or balances with related parties as disclosed in notes 26(a), 27, 32(b), 33, 36 and 40(a)(ii) to the financial statements, the Group entered into the following material transactions with related parties:

	Notes	**2022 HK$'000**	2021 HK$'000
Sales of LNG	(i)	**23,116**	–
Purchase of goods	(ii)	**–**	2,925
Purchase of LNG	(iii)	**13,548**	73,010

Notes:

(i) The amount represents sales of LNG to a joint venture of the Group and the selling price was determined by reference to the then prevailing market price.

(ii) The amount represents purchases of goods from a non-controlling equity holder of a subsidiary and the purchase price was determined by reference to the then prevailing market price.

(iii) The amount represents purchase of LNG from a non-controlling equity holder of a subsidiary and a subsidiary of Beijing Gas HK. The purchase price was determined by reference to the then prevailing market price.

The related party transactions in respect of item (iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel (including directors of the Company) of the Group

	2022 HK$'000	2021 HK$'000
Salaries, bonuses and other benefits	**6,201**	7,375
Contribution to defined contribution plans	**794**	1,208
	6,995	8,583

45. FINANCIAL INSTRUMENTS BY CATEGORY

Save certain equity investments being designated as equity investments at fair value through other comprehensive income and certain financial assets being classified as financial assets at fair value through profit or loss, all other financial assets and financial liabilities of the Group as at 31 December 2022 and 2021 were classified as financial assets and financial liabilities at amortised cost.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, trade receivables, balances with joint ventures, associates and related parties, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
At 31 December 2022				
Equity investments at fair value through other comprehensive income	**474**	**–**	**–**	**474**
Financial assets at fair value through profit or loss	**–**	**–**	**127**	**127**
Total	**474**	**–**	**127**	**601**
At 31 December 2021				
Equity investments at fair value through other comprehensive income	707	–	–	707
Financial assets at fair value through profit or loss	–	–	17,721	17,721
Total	707	–	17,721	18,428

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement (2021: Nil).

The fair values of the non-current portion of financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, amounts due from joint ventures, associates, related parties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, cash and bank balances, trade and other payables, bank and other borrowings, convertible bond, amounts due to joint ventures and associates and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities excluding intra-group balances as at the reporting date are as follows:

	Assets		**Liabilities**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
RMB	**17,804**	17,828	**43,987**	79,673

Sensitivity analysis

The Group's foreign currency risk mainly related to exchange rate of HK$ against RMB. The sensitivity analysis includes only outstanding monetary items which are denominated in RMB and adjusts its translation at the end of the reporting date for a 5% change in RMB: HK$ exchange rate, respectively. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis below illustrates the impact for a 5% strengthening of the functional currency of the relevant group entities against HK$ and a positive number below indicates an increase in post-tax results, respectively. For a 5% weakening of the functional currency of the relevant group entities against HK$, there would be an equal and opposite impact on the results.

	Increase/(decrease) in post-tax profits	
	2022 HK$'000	2021 HK$'000
RMB	**(1,093)**	(2,582)

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and bank balances and long term debt obligations.

Banks and other borrowings, cash and short term deposits are stated at amortised cost and not revalued. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

The following tables set out the carrying amounts, by maturity, of the Group's interest-bearing financial instruments as at the end of the reporting period that are exposed to interest rate risk:

	Carrying amount		**Effective interest rate**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**%**	%
Floating rate:				
Cash and cash equivalents	**531,335**	205,857	**0.25-1.89**	0.10-0.35
Bank and other borrowings	**1,914,165**	2,567,735	**2.30-8.60**	1.83-4.53
Convertible bond	**236,263**	–	**6.15**	–
Fixed rate:				
Restricted cash and pledged deposits	**16,051**	519,108	**0.30**	0.30
Cash and cash equivalents	**22,727**	25,088	**2.05**	1.90
Bank and other borrowings	**556,623**	1,012,002	**1.60-5.83**	5.03

At 31 December 2022, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$19 million (2021: decrease/increase in loss before tax of HK$23.6 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2021.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment

The Group is exposed to credit risk arising from its operations and advances made to third parties. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on individual customer's past history of making payments when they fall due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Various companies have different credit policies, depending on markets and businesses in which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any material credit risk associated with the receivables. Normally, the Group does not obtain collateral from customers.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	286,393	286,393
Contract assets	–	–	–	42,968	42,968
Deposits paid for acquisition of subsidiaries					
– Doubtful**	–	–	917,772	–	917,772
Due from joint ventures	79,171	–	–	–	79,171
Due from associates	7,458	–	–	–	7,458
Due from related parties	11,827	–	–	–	11,827
Financial assets included in prepayments, deposits and other receivables					
– Normal**	163,175	212,384	–	–	375,559
– Doubtful**	–	–	630,151	–	630,151
Restricted cash and pledged deposits–					
– Not yet past due	16,051	–	–	–	16,051
Cash and cash equivalents					
– Not yet past due	554,062	–	–	–	554,062
	831,744	212,384	1,547,923	329,361	2,921,412

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging (Continued)

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	382,264	382,264
Contract assets	–	–	–	25,965	25,965
Deposits paid for acquisition of subsidiaries					
– Normal**	–	283,464	–	–	283,464
– Doubtful**	–	–	917,772	–	917,772
Financial assets included in prepayments, deposits and other receivables					
– Normal**	40,805	376,510	–	–	417,315
– Doubtful**	–	–	607,796	–	607,796
Due from joint ventures	69,989	–	–	–	69,989
Due from associates	1,985	–	–	–	1,985
Restricted cash and pledged deposits					
– Not yet past due	519,108	–	–	–	519,108
Cash and cash equivalents					
– Not yet past due	230,945	–	–	–	230,945
	862,832	659,974	1,525,568	408,229	3,456,603

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24(b) to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables are considered as "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow.

The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains an appropriate level of liquid assets and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Details of the Group's liquidity consideration are disclosed in note 2.1 to the financial statements.

The Group has the following loans and borrowings as at the end of the reporting period:

	Carrying amount	
	2022	2021
	HK$'000	HK$'000
Bank loans	**1,396,575**	2,934,118
Corporate bonds	**287,098**	548,854
Other loans	**787,115**	96,765
Convertible bond	**236,263**	–
Lease liabilities	**15,047**	20,248
	2,722,098	3,599,985
Analysed into:		
Bank loans repayable:		
On demand or within one year	**1,380,467**	2,934,118
In the second year	**16,108**	–
	1,396,575	2,934,118
Other borrowings repayable:		
On demand or within one year	**325,740**	561,620
In the second year	**56,805**	98,758
In the third to fifth years, inclusive	**942,978**	5,489
	1,325,523	665,867
	2,722,098	3,599,985

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 3 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2022						
Trade and bills payables	**131,039**	**–**	**–**	**–**	**131,039**	**131,039**
Other payables	**154,486**	**–**	**–**	**–**	**154,486**	**154,486**
Due to joint ventures	**63,837**	**–**	**–**	**–**	**63,837**	**63,837**
Bank and other borrowings	**1,770,893**	**63,973**	**868,913**	**–**	**2,703,779**	**2,470,788**
Lease liabilities	**6,695**	**2,743**	**5,194**	**2,872**	**17,504**	**15,047**
Convertible bond	**–**	**–**	**355,350**	**–**	**355,350**	**236,263**
	2,126,950	**66,716**	**1,229,457**	**2,872**	**3,425,995**	**3,071,460**

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 3 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2021						
Trade and bills payables	294,374	–	–	–	294,374	294,374
Other payables	225,397	–	–	–	225,397	225,397
Due to joint ventures	70,152	–	–	–	70,152	70,152
Due to associates	1,481	–	–	–	1,481	1,481
Bank and other borrowings	3,541,537	99,828	–	–	3,641,365	3,579,737
Lease liabilities	10,295	5,851	3,475	2,959	22,580	20,248
	4,143,236	105,679	3,475	2,959	4,255,349	4,191,389

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

Depending on the market conditions and funding arrangements, if at any time, repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions, when appropriate.

The Group monitors capital using a leverage ratio, which is total borrowings (excluding lease liabilities) divided by the total assets. Total borrowings include bank and other borrowings and convertible bond. The leverage ratio as at the end of the reporting period is as follows:

	2022 **HK$'000**	2021 HK$'000
Total borrowings excluding lease liabilities	**2,707,051**	3,579,737
Total assets	**5,220,712**	5,236,137
Leverage ratio	**51.9%**	68.4%

48. EVENTS AFTER THE REPORTING PERIOD

Save the drawdown of a syndicated loan and the full settlement of those bank loans for which loan covenants had not been complied with as at 31 December 2022, as disclosed in notes 2.1 and 32(d) to the financial statements, the Group has the following significant event after the reporting period:

On 3 January 2023, the Company received a statement of claims 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 claims 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 these financial statements.

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

49. COMPARATIVE AMOUNTS

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

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,556,817**	2,196,317
Prepayments and other receivables	**725**	726
Total non-current assets	**2,557,542**	2,197,043
CURRENT ASSETS		
Other receivables	**103,516**	110,904
Due from subsidiaries	**33,913**	44,076
Due from related companies	**85**	353
Financial assets at fair value through profit or loss	**127**	340
Restricted cash and pledged deposits	**5,833**	31,800
Cash and cash equivalents	**336,463**	17,991
Total current assets	**479,937**	205,464
CURRENT LIABILITIES		
Other payables and accruals	**160,782**	70,347
Due to subsidiaries	**748,871**	130,283
Bank and other borrowings	**1,612,997**	3,454,780
Total current liabilities	**2,522,650**	3,655,410
NET CURRENT LIABILITIES	**(2,042,713)**	(3,449,946)
TOTAL ASSETS LESS CURRENT LIABILITIES	**514,829**	(1,252,903)
NON-CURRENT LIABILITIES		
Other borrowings	**700,000**	–
Convertible bond	**236,263**	–
Total non-current liabilities	**936,263**	–
NET LIABILITIES	**(421,434)**	(1,252,903)
DEFICIENCY IN ASSETS		
Issued capital	**1,250,486**	714,236
Reserves (note)	**(1,671,920)**	(1,967,139)
Deficiency in assets	**(421,434)**	(1,252,903)

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the movements in the Company's reserves is as follows:

	Share premium account HK$'000	Equity component of convertible bond HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Merger reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	4,270,611	–	123	(3,220)	(43,048)	(59,390)	(6,111,833)	(1,946,757)
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	(20,382)	(20,382)
Transfer to accumulated losses upon forfeiture of share options	–	–	(123)	–	–	–	123	–
At 31 December 2021 and 1 January 2022	4,270,611	–	–	(3,220)	(43,048)	(59,390)	(6,132,092)	(1,967,139)
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	(92,768)	(92,768)
Issue of a convertible bond	–	63,737	–	–	–	–	–	63,737
Issue of new shares for cash	156,250	–	–	–	–	–	–	156,250
Issue of new shares for acquisition of subsidiaries	168,000	–	–	–	–	–	–	168,000
At 31 December 2022	4,594,861	63,737	–	(3,220)	(43,048)	(59,390)	(6,224,860)	(1,671,920)

51. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Revenue	2,148,480	2,676,129	1,463,102	1,728,019	**1,607,151**
Profit/(loss) before tax	259,188	97,038	(3,917,228)	(270,058)	**22,321**
Income tax (expense)/credit	2,328	(23,168)	110,826	(8,499)	**(10,737)**
Profit/(loss) for the year	261,516	73,870	(3,806,402)	(278,557)	**11,584**
Attributable to:					
Shareholders of the Company	260,657	(10,871)	(3,716,327)	(275,400)	**18,645**
Non-controlling interests	859	84,741	(90,075)	(3,157)	**(7,061)**
	261,516	73,870	(3,806,402)	(278,557)	**11,584**

ASSETS AND LIABILITIES

	At 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Total assets	8,228,330	8,657,336	5,473,291	5,236,137	**5,220,712**
Total liabilities	(3,114,934)	(4,086,259)	(4,663,130)	(4,535,154)	**(3,591,537)**
	5,113,396	4,571,077	810,161	700,983	**1,629,175**
Equity attributable to shareholders of the Company	5,028,742	4,426,817	749,902	604,844	**1,356,654**
Non-controlling interests	84,654	144,260	60,259	96,139	**272,521**
	5,113,396	4,571,077	810,161	700,983	**1,629,175**