



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



Interim Report
2022

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CORPORATE INFORMATION

(as at 30 August 2022)

BOARD OF DIRECTORS

Executive Directors

Mr. Li Weiqi (*Chief Executive Officer*)
Mr. Jin Qiang (*retired on 31 May 2022*)
Mr. Ye Hongjun (*retired on 31 May 2022*)
Ms. Yang Fuyan (*resigned on 19 August 2022*)
Mr. Chen Ning (*appointed on 1 June 2022*)
Mr. Yeung Shek Hin (*appointed on 1 July 2022*)

Non-executive Director

Mr. Zhi Xiaoye (*Chairman of the Board*)

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. 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 HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Room 3402-4, 34F, 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
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Bank of Ningbo Co., Ltd.
China Merchants Bank, Hong Kong Branch
Natixis
China Minsheng Bank Corp., Ltd.
Nanyang Commercial Bank (China) Limited

COMPLIANCE ADVISER

Asian Capital Limited

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODE

6828

CORPORATE PROFILE

Beijing Gas Blue Sky Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is an integrated natural gas provider and operator focusing on the midstream and downstream development of the natural gas industry chain.

Beijing Gas Group Co., Ltd. (“**Beijing Gas Group**”) is the single largest shareholder of the Company and with this strength, the Group’s major business includes (1) development and operation of city gas projects; (2) direct supply of liquefied natural gas (“**LNG**”) to industrial end users; (3) trading and distribution of compressed natural gas (“**CNG**”) and LNG; and (4) operating CNG and LNG refueling stations for vehicles. The Group is committed to grasp the historical opportunities of China’s economic development and energy restructuring, combine the Company’s industry resources and capital advantages, continue to develop potential regional projects, so as to actively expand market space, construct a complete value chain, create a characteristic industrial chain and cooperate extensively across borders to achieve leapfrog development.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	5	919,261	1,205,336
Cost of sales		(878,622)	(1,158,211)
Gross profit		40,639	47,125
Other income and gains, net	7	17,623	11,305
Reversal of impairment on financial assets		14,768	34,346
Administrative expenses		(96,128)	(118,705)
Other expenses		(41,067)	(12,625)
Finance costs	8	(52,772)	(64,862)
Share of profits and losses of:			
Associates		137,114	146,621
Joint ventures		(600)	(878)
PROFIT BEFORE TAX	9	19,577	42,327
Income tax expenses	10	(1,269)	(3,271)
PROFIT FOR THE PERIOD		18,308	39,056
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		(10,094)	(114,199)
Share of other comprehensive income/(loss) of associates and joint ventures		(81,050)	23,569
		(91,144)	(90,630)
Item that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		-	24
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		(91,144)	(90,606)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(72,836)	(51,550)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		19,968	40,076
Non-controlling interests		(1,660)	(1,020)
		18,308	39,056
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(69,694)	(49,977)
Non-controlling interests		(3,142)	(1,573)
		(72,836)	(51,550)
EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY			
Basic and diluted	12	HK0.15 cents	HK0.31 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	478,976	506,779
Investment properties		53,323	44,757
Right-of-use assets		43,810	52,934
Intangible assets		69,844	70,705
Goodwill		623,200	597,983
Interests in associates		1,855,606	2,080,006
Interests in joint ventures		33,138	19,522
Deposits for acquisition of subsidiaries		56,442	283,464
Deposits for acquisition of property, plant and equipment		24,453	25,633
Prepayments, deposits and other receivables		8,506	5,114
Equity investments at fair value through other comprehensive income ("FVTOCI")		690	707
Other non-current assets		1,257	614
Deferred tax assets		6,771	–
Total non-current assets		3,256,016	3,688,218
CURRENT ASSETS			
Inventories		23,035	15,263
Trade receivables	14	168,912	160,722
Contract assets		16,366	25,965
Prepayments, deposits and other receivables		519,890	506,221
Amounts due from associates		2,123	1,985
Amounts due from joint ventures		65,895	69,989
Financial assets at fair value through profit and loss ("FVTPL")		16,985	17,721
Restricted cash and pledged deposits		171,189	519,108
Cash and bank balances		332,475	230,945
Total current assets		1,316,870	1,547,919

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
CURRENT LIABILITIES			
Trade and bill payables	15	162,664	294,374
Other payables and accruals		497,356	471,987
Bank and other borrowings		3,058,366	3,486,413
Amount due to associates		–	1,481
Amount due to joint ventures		64,647	70,152
Lease liabilities		7,888	9,324
Provision for liability		76,006	79,673
Total current liabilities		3,866,927	4,413,404
NET CURRENT LIABILITIES		(2,550,057)	(2,865,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		705,959	822,733
NON-CURRENT LIABILITIES			
Lease liabilities		53,762	93,324
Bank and other borrowings		7,345	10,924
Deferred tax liabilities		16,401	17,502
Total non-current liabilities		77,508	121,750
NET ASSETS		628,451	700,983
EQUITY			
Equity attributable to owners of the Company			
Share capital		714,236	714,236
Reserves		(179,086)	(109,392)
Non-controlling interests		535,150	604,844
		93,301	96,139
TOTAL EQUITY		628,451	700,983

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	FVTOCI reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (Audited)	714,236	4,270,611	123	(47,317)	(43,048)	(28,869)	(555,471)	(3,560,363)	749,902	60,259	810,161
Correction of prior year error (note 2.2)	-	-	-	-	-	-	-	63,667	63,667	26,512	90,179
At 1 January 2021 (Audited)	714,236	4,270,611	123	(47,317)	(43,048)	(28,869)	(555,471)	(3,496,696)	813,569	86,771	900,340
Profit for the period	-	-	-	-	-	-	-	40,076	40,076	(1,020)	39,056
Other comprehensive income/(loss) for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(113,645)	-	(113,645)	(554)	(114,199)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	23,569	-	23,569	-	23,569
Change in fair value of equity investments designed at fair value through other comprehensive income	-	-	-	24	-	-	-	-	24	-	24
Total comprehensive income/(loss) for the period	-	-	-	24	-	-	(90,076)	40,076	(49,976)	(1,574)	(51,550)
Forfeiture of share options	-	-	(48)	-	-	-	-	48	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	(1,521)	-	-	(1,521)	-	(1,521)
Transfer	-	-	-	-	-	329	-	(329)	-	-	-
At 30 June 2021 (Unaudited)	714,236	4,270,611	75	(47,293)	(43,048)	(30,061)	(645,547)	(3,456,901)	762,072	85,197	847,269

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	FVTOCI reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022 (Audited)	714,236	4,270,611*	-*	(47,317)*	(43,048)*	(27,379)*	(486,364)*	(3,795,895)*	604,844	96,139	700,983
Profit for the period	-	-	-	-	-	-	-	19,968	19,968	(1,660)	18,308
Other comprehensive income/(loss) for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(8,612)	-	(8,612)	(1,482)	(10,094)
Share of other comprehensive loss of associates and joint ventures	-	-	-	-	-	-	(81,050)	-	(81,050)	-	(81,050)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(89,662)	19,968	(69,694)	(3,142)	(72,836)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	304	304
At 30 June 2022 (Unaudited)	714,236	4,270,611*	-*	(47,317)*	(43,048)*	(27,379)*	(556,026)*	(3,775,927)*	535,150	93,301	628,451

* These reserve accounts comprise the consolidated negative reserve of HK\$179,086,000 (unaudited) (31 December 2021: negative reserve of HK\$109,392,000 (audited)) in the consolidated statement of financial position as at 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(40,979)	(40,869)
Net cash from/(used in) investing activities	299,458	(321,220)
Cash flow from financing activities		
Decrease in restricted cash and pledged deposits	347,919	–
Borrowings raised, net of transaction costs	111,329	523,248
Repayment of lease liabilities and bank and other borrowings	(584,451)	(292,024)
Other financing cash flows, net	(52,772)	–
Net cash from/(used in) financing activities	(177,975)	231,224
Net increase/(decrease) in cash and cash equivalents	80,504	(130,865)
Cash and cash equivalents at the beginning of period	230,945	705,408
Effect of foreign exchange rate changes, net	21,026	(77,905)
Cash and cash equivalents at the end of period	332,475	496,638

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 3402-4, 34/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, respectively.

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

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

2. BASIS OF PRESENTATION AND PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 – Interim Financial Reporting issued by the International Accounting Standard Board (“**IASB**”) and the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The interim financial information does not include all the information and disclosures in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and the functional currency of the Company is Renminbi (“**RMB**”). All values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

2.1 Going concern

As at 30 June 2022, the current liabilities of the Group exceeded its current assets by HK\$2,550.1 million. The Group’s total bank and other borrowings as at 30 June 2022 amounted to HK\$3,112.1 million, including HK\$2,078.4 million due for repayment before 30 June 2023 according to the repayment schedule of the respective loan agreements. In addition, according to the financial information of the Group for the six months ended 30 June 2022 (“**HY 2022**”), HK\$980.0 million of bank and other borrowings due after 30 June 2023 were classified as current liabilities as at 30 June 2022 as certain debt covenants were breached.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.1 Going concern (Continued)

The Board has given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. The Board has taken different measures to mitigate the liquidity pressure and to improve the financial position of the Group, including but not limited to the following:

- (i) As all the Resumption Guidance requested by the Stock Exchange have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 25 July 2022. Further details are set out in the Company's announcement dated 22 July 2022;
- (ii) In January 2022, a mandate letter was entered into between the Group and a bank (the "**Facility Agent**") pursuant to which the Facility Agent was appointed by the Group to arrange for a refinancing plan with the potential lenders. According to the latest negotiation with the potential lenders, the conditions precedent to the availability of the refinancing plan included, among others, the successful asset injections from the major shareholder, the advance of a loan from the major shareholder and the resumption of trading of the Company's shares; The aforesaid plan is now in negotiation continuously; and
- (iii) The Board is currently in discussion with the major shareholder for the aforesaid asset injections and advance of a loan.

The Board is of the opinion that, taking into account the resumption of trading of the Company's shares, refinancing arrangement, potential asset injections and advance of a loan from the major shareholder, the Group's existing internal financial resources and future cash flows to be generated from the Group's operations, the Group will have sufficient working capital for its present requirements. Hence, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 are consistent with the accounting policies and basis of preparation adopted in the Group's audited consolidated financial statements for the year ended 31 December 2021.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.2 Correction of prior years' errors relating to purchase price allocation in prior years

In prior years, the Group had acquired a number of subsidiaries, and intangible assets were recognised as a result of the purchase price allocation (“PPA”) for certain of the acquisitions. The valuations were performed by certain external valuers in prior years for the purpose of determining the financial impact of the PPAs by the then management and the cash flow forecasts used for the income approach in determining the fair value of the intangible assets were also prepared by the then management. During the preparation of the Group’s FY2020 Financial Statements, the management noted that the documentation on the cash flow forecasts, including the basis of key assumptions adopted by the then management, could not be found.

During year 2021, the Group engaged an external professional valuer to reperform the valuation of the fair value of intangible assets (operating concessions) arising from certain significant acquisitions in prior years. Based on the results of the valuations, the management noted that the intangible asset (operating concession) and goodwill amounts, the related deferred tax liabilities arising and the amounts attributable to the non-controlling interests recognised for certain of the PPAs had been misstated at initial recognition. The impact on the consolidated statement of financial position as at 1 January 2020 and 31 December 2020 and the consolidated profit or loss for the year ended 31 December 2020 are summarised below:

	Increase/(decrease) in net assets	
	1 January 2020 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Assets and liabilities		
Increase in goodwill	564,812	344,932
Decrease in intangible assets	(615,671)	(339,906)
Decrease in deferred tax liabilities	154,094	85,153
Net increase in net assets	103,235	90,179
Equity		
Increase in retained earnings attributable to owners of the Company	80,201	63,667
Increase in non-controlling interests	23,034	26,512
Increase in total equity	103,235	90,179

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.2 Correction of prior years' errors relating to purchase price allocation in prior years (Continued)

Consolidated profit or loss for the year ended 31 December 2020

	Increase/ (decrease) in profit or loss <i>HK\$'000</i>
Decrease in amortisation of intangible assets	43,287
Increase in impairment of goodwill	(219,880)
Decrease in impairment of intangible assets	232,478
Decrease in deferred tax credited	(68,942)
Net decrease in profit or loss	(13,057)
Representing:	
Net decrease in profit or loss attributable to owners of the Company	(19,487)
Net increase in profit or loss attributable to non-controlling interests	6,430
	(13,057)

The Group corrected the errors as at 1 January 2021 in year 2021's consolidated financial statements. The comparative information as at 31 December 2020 and for the year then ended is not restated in year 2021's consolidated financial statements and a third consolidated statement of financial position as at 1 January 2020 is not presented.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

The nature and 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 issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 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 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, 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, 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 while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. 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 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 IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: 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 has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. SEASONALITY OF OPERATIONS

Seasonal fluctuation exists in the natural gas business. The demand is generally higher in the second half of the year due to the winter heating consumption.

The interim results for the first half of the year may not serve as an indication of the results of operations for the entire financial year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. REVENUE

An analysis of the Group's revenue for the relevant periods:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
City Gas, pipeline construction, value-added service and others	347,292	313,158
Direct supply to industrial users	17,972	268,986
Trading and distribution of natural gas	549,329	594,616
Natural gas refueling station	4,668	28,576
	919,261	1,205,336

6. 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:

1. City gas, pipeline construction, value-added service and others – sales of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service such as repair and maintenance service, pipeline construction services and others, such as transportation income. Share of result of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment;
2. Direct supply to industrial users – direct LNG supply to industrial users through direct supply facilities;
3. Trading and distribution of natural gas – trading and distributing of CNG, LNG fuel oil and other related oil by-product as a wholesaler to industrial users; and
4. Natural gas refueling station – operation of CNG and LNG refueling stations for vehicles.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

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 for the period attributable to shareholders of the Company. The profit for the period attributable to shareholders of the Company is measured consistently with the Group's profit attributable to shareholders of the Company except that interest income on loans to joint ventures, interest income from joint venture partners, gain or loss on disposal of joint ventures, finance costs, share of profits/(loss) of certain joint ventures and associates, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude corporate and head office assets as these assets are managed on a group basis.

Segment revenue and results

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

For the six months ended 30 June 2022

	City gas, pipeline construction, value-added service and others <i>HK\$'000</i> (Unaudited)	Direct supply to industrial users <i>HK\$'000</i> (Unaudited)	Trading and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Natural gas refueling station <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
External segment revenue	347,292	17,972	549,329	4,668	919,261
Segment profit/(loss)	114,187	(1,372)	(11,496)	(1,785)	99,534
Unallocated other income and gains, net					17,623
Unallocated central corporate expenses					(59,576)
Finance costs					(52,772)
Reversal of unallocated impairment on financial assets					14,768
Profit before tax					19,577

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments:
(Continued)

For the six months ended 30 June 2021

	City gas, pipeline construction, value-added service and others <i>HK\$'000</i> (Unaudited)	Direct supply to industrial users <i>HK\$'000</i> (Unaudited)	Trading and distribution of natural gas <i>HK\$'000</i> (Unaudited)	Natural gas refueling station <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
External segment revenue	313,158	268,986	594,616	28,576	1,205,336
Segment profit/(loss)	127,232	31,972	5,480	(746)	163,938
Unallocated other income and gains, net					11,305
Unallocated central corporate expenses					(69,615)
Finance costs					(64,862)
Reversal of unallocated impairment on financial assets					1,561
Profit before tax					42,327

Segment profit/(loss) represents the profit/(loss) before tax of each segment without allocation of unallocated other income and other gains and losses, central corporate expenses (including but not limited to directors' emoluments) and finance costs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	City gas, pipeline construction, value added service and others <i>HK\$'000</i>	Direct supply to industrial users <i>HK\$'000</i>	Trading and distribution of natural gas <i>HK\$'000</i>	Natural gas refuelling station <i>HK\$'000</i>	Corporate and other unallocated items <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets						
30 June 2022 (unaudited)	3,229,167	89,473	348,644	96,963	808,639	4,572,886
31 December 2021 (audited)	3,431,214	104,110	291,807	113,150	1,295,856	5,236,137
Segment liabilities						
30 June 2022 (unaudited)	633,660	38,884	210,557	9,536	3,051,798	3,944,435
31 December 2021 (audited)	679,179	102,144	209,308	10,349	3,534,174	4,535,154

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

- All assets are allocated to operating and reportable segments (other than property, plant and equipment for corporate use, right-of-use assets for corporate use, prepayments, deferred tax assets, financial assets at FVTOCI, financial assets at FVTPL, restricted cash and pledged deposits, cash and bank balances and other unallocated assets not attributable to the segments); and
- All liabilities are allocated to operating and reportable segments (other than bank and other borrowings, unallocated lease liabilities, deferred tax liabilities and other unallocated liabilities not attributable to the segments).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Mainland China.

No geographical information is presented as more than 90% of the revenue during each of the periods ended 30 June 2022 and 2021 were derived from Mainland China.

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

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue during the periods ended 30 June 2022 and 2021.

7. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other income		
Interest income	1,281	4,062
Rental income	716	209
Gas appliances income	685	1,189
Government subsidies and grants	1,782	2,415
Gain on disposal of a joint venture	5,961	–
Sundry income	7,911	4,219
	18,336	12,094
Gains, net		
Changes in fair value of financial assets at fair value through profit or loss	679	(466)
Foreign exchange difference, net	(1,392)	(323)
	(713)	(789)
	17,623	11,305

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on bank borrowings	34,425	43,416
Interests on other borrowings	17,870	21,446
Interests on lease liabilities	477	–
	52,772	64,862

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	851,977	1,094,094
Depreciation of property, plant and equipment	38,401	11,989
Depreciation of investment properties	1,102	–
Depreciation of right-of-use assets	7,512	5,183
Amortisation of intangible assets*	4,020	20,068
Lease payments not included in the measurement of lease liabilities	632	625
Employee benefit expenses (including directors' emoluments):		
– Salaries, bonuses and other benefits	42,257	47,574
– Contribution to defined contribution plans	8,895	9,011
	51,152	56,585
Reversal of impairment of deposits for acquisition of subsidiaries#	–	(484)
Reversal of impairment of trade receivables#	(14,768)	(33,862)
	(14,768)	(34,346)

* The amortisation of intangible assets for the period is included in "Cost of sales" in profit or loss.

Reversal of impairment of financial assets for the period is included in "Reversal of impairment on financial assets" in profit or loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. INCOME TAX EXPENSES

No Hong Kong profits tax has been provided for the six months ended 30 June 2022 as the Group did not derive any assessable profits in Hong Kong for that period.

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PRC corporate income tax	1,827	8,288
Deferred tax	(558)	(5,017)
Total income tax expenses	1,269	3,271

11. DIVIDEND

The Board did not declare an interim dividend for HY 2022 (the six months ended 30 June 2021 ("HY 2021"): Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the period attributable to shareholders of the Company of HK\$19,968,000 (HY2021: HK\$40,076,000), and the weighted average number of ordinary shares of 12,986,114,715 (HY2021: 12,986,114,715) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for each of the periods ended 30 June 2022 and 2021 for a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

During HY 2022, the Group has an addition of property, plant and equipment with a cost of HK\$18,462,000 (HY 2021: HK\$56,221,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14. TRADE RECEIVABLES

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	382,496	382,264
Impairment	(213,584)	(221,542)
	168,912	160,722

Notes:

- (a) 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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Unbilled portion and billed within 3 months	93,791	100,912
Billed:		
4 to 6 months	13,087	23,378
7 to 12 months	43,606	17,115
Over 1 year	18,428	19,317
	168,912	160,722

- (b) The movements in the Group's the loss allowance for impairment of trade receivables during the period are as follows:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
At 1 January	221,542	191,080
Impairment loss, net	-	26,009
Exchange realignment	(7,958)	4,453
At 30 June/31 December	213,584	221,542

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. 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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Billed:		
Within 3 months	20,074	136,226
4 to 6 months	29,872	8,780
7 to 12 months	13,092	29,477
Over 1 year	71,020	96,743
	134,058	271,226
Unbilled	28,606	23,148
	162,664	294,374

16. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions or information disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties:

		Six months ended 30 June	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Purchase of goods	(i)	678	1,299
Purchase of LNG	(ii)	13,556	50,163

Notes:

- (i) The amount represents purchases of goods from a non-controlling equity holder of a subsidiary and the purchasing price was determined by reference to the then market price.
- (ii) The amount represents purchases of LNG from a non-controlling equity holder of a subsidiary and subsidiaries of the Company's major shareholder, and the purchasing price was determined by reference to the then prevailing market price.

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Remuneration for key management personnel (including directors of the Company) of the Group

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Salaries, bonuses and other benefits	4,765	4,007
Contribution to defined contribution plans	537	544
	5,302	4,551

17. PLEDGE OF ASSETS

As at 30 June 2022, certain buildings and gas pipelines of the Group with carrying amount of HK\$95.2 million (31 December 2021: HK\$103.9 million) were pledged as security for Group's other borrowings of approximately HK\$75.0 million (31 December 2021: HK\$96.8 million). In addition, the Group's secured bank loans were secured by the Group's bank balances of HK\$163.0 million (31 December 2021: HK\$497.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022 (“HY2022”), as the omicron variants raged, lockdowns were imposed in various regions in China intermittently in the first half of the year, making the recovery of the economy even more challenging. In addition, under the influence of supply and demand problems and rising costs caused by the Russian-Ukrainian war, China’s natural gas market, as well as the global natural gas market has shown a variety degree of uncertainty. During HY2022, the apparent consumption of natural gas was 181.7 billion cubic meters, representing a year-on-year decrease of 0.5%; and the production volume of natural gas was 109.6 billion cubic meters, representing a year-on-year increase of 4.9%; and the imported volume of natural gas was 53.57 million tons, representing a year-on-year decrease of 10.0%. During HY2022, the Group’s gas sales volume was 179.3 million cubic meters (for the same period in 2021 (“HY2021”): 352.3 million cubic meters), representing a decrease of 49.1% as compared to the corresponding period of last year, which was primarily due to (i) the year-on-year increase in cost of natural gas during HY2022, dually affected by the Russian-Ukrainian war and the pandemic, which had a significant impact on sales volume; (ii) the short-term impact on gas sales volume during the deployment process as the Group deployed resources to higher-quality projects in order to further enhance the efficiency of resource allocation; and (iii) decrease in gas refueling station business under further advancing of electrification policies, affecting the gas sales volume of this business.

During HY2022, the revenue of the Group was HK\$919.3 million (HY2021: HK\$1,205.3 million), representing a decrease of 23.7% as compared to the corresponding period of last year, which was primarily due to the decreases in revenue from the natural gas trading and distribution business and the revenue from the direct supply to industrial customers business. The total gross profit of the Group was HK\$40.6 million for HY2022 (HY2021: HK\$47.1 million), representing a decrease of 13.8% as compared to the corresponding period of last year. The gross profit margin was 4.4% (HY2021: 3.9%), representing an increase of 12.8% as compared to the corresponding period of last year, which was primarily due to the Group continued to improve operational efficiency and reallocate the business resources. As such, the Group’s operating business activities continued to develop steadily in HY2022. Profit for HY2022 of the Group was HK\$18.3 million (HY2021: HK\$39.1 million), representing a decrease of 53.1% as compared to the corresponding period of last year. Profit attributable to the equity holders of the Company was HK\$20.0 million (HY2021: HK\$40.1 million), representing a decrease of 50.2% as compared to the corresponding period of last year. The above decreases were primarily due to the increase in legal and professional expenses arising from the professional services for the resumption of trading in the shares of the Company (the “Shares”) during HY2022. Such expenses incurred in HY2022 are non-recurring items.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial highlights:

	For the six months ended 30 June		
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	Change %
Revenue	919,261	1,205,336	(23.7)
Gross profit	40,639	47,125	(13.8)
Gross profit ratio (in percentage)	4.4%	3.9%	12.8
Profit for the period	18,308	39,056	(53.1)
Profit attributable to the equity holders of the Company	19,968	40,076	(50.2)
Basic EPS (in HK cents)	0.15	0.31	(51.6)
EBITDA	123,384	144,429	(14.6)
	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000	Change %
Total assets	4,572,886	5,236,137	(12.7)
Total equity	628,451	700,983	(10.3)
Cash and bank balances	332,475	230,945	44.0

During HY2022, the Group's natural gas projects covered a total of 17 provinces, municipalities and autonomous regions in the PRC, namely Liaoning, Jilin, Hebei, Beijing, Shandong, Shanxi, Shanxi, Ningxia Autonomous Region, Shanghai, Jiangsu, Anhui, Zhejiang, Guizhou, Hubei, Guangdong, Guangxi Autonomous Region and Hainan.

MANAGEMENT DISCUSSION AND ANALYSIS

Development and Operation of City Gas Business

During HY2022, the Group owned 8 city gas projects. During HY2022, the Group has completed gas pipelines connections for 15,945 new users, of which 15,890 were new residential users and the cumulative number of residential users has reached 437,173. The natural gas sold to residential users amounted to 40.5 million cubic meters (HY2021: 38.8 million cubic meters). The Group has secured 55 new industrial and commercial users and the cumulative number of industrial and commercial users reached 2,955 with natural gas sold to industrial and commercial users reaching 30.9 million cubic meters (HY2021: 33.0 million cubic meters). The gas sales volume of city gas business of the Group was 71.4 million cubic meters (HY2021: 71.8 million cubic meters) during HY2022, representing a decrease of 0.6% as compared to the corresponding period of last year. The Group recorded a sales revenue of HK\$347.3 million (HY2021: HK\$313.2 million), representing an increase of 10.9% as compared to the corresponding period of last year. During HY2022, non-residential gas consumption was slightly lower than the same period in the first quarter of 2022 due to the impact of the pandemic, but overall residential and non-residential gas consumption was comparable to the corresponding period of last year.

Direct Supply to Industrial Users Business

During HY2022, gas sales volume of direct supply to industrial users business decreased by 87.4% as compared to the corresponding period of last year to 9.4 million cubic meters (HY2021: 74.9 million cubic meters), and sales revenue decreased by 93.3% as compared to the corresponding period of last year to HK\$18.0 million (HY2021: HK\$269.0 million). This was mainly due to the impact of the outbreak of the pandemic in the first quarter of 2022 and the Group adjusted the operation of the business and its business model.

Trading and Distribution of LNG and CNG Business

During HY2022, gas sales volume of trading and distribution of natural gas business amounted to 94.6 million cubic meters (HY2021: 196.4 million cubic meters); sales revenue reached HK\$549.3 million (HY2021: HK\$594.6 million), representing a decline of 7.6% as compared to the corresponding period of last year. The decline was primarily due to the dual impact of the pandemic and rising costs in HY2022, which caused a decline in business volume.

LNG and CNG Refueling Station Business

The Group sells natural gas to LNG vehicles (heavy trucks and buses) and CNG vehicles (taxis, buses and private vehicles). During HY2022, the gas sales volume of the refueling station was 3.9 million cubic meters (HY2021: 9.2 million cubic meters), and the Group recorded a sales revenue of HK\$4.7 million (HY2021: HK\$28.6 million), representing a decrease of 83.6% as compared to the corresponding period of last year. The drop of gas refueling station business was mainly because (i) gas refueling station business decreased under further advancing of electrification policies; and (ii) demand in transportation industry weakened due to the impact of the pandemic. In the future, the Group will develop regional LNG refueling stations based on its layout of the whole LNG industrial chain.

MANAGEMENT DISCUSSION AND ANALYSIS

LNG Receiving Terminal Projects

During HY2022, the total throughput volume of LNG of PetroChina Jingtang (Caofeidian Jingtang LNG Receiving Terminal) Projects amounted to 2,992.1 million cubic meters (HY2021: 2,934.3 million cubic meters), of which the gas volume transported to pipelines through gasification was 2,822.3 million cubic meters (HY2021: 2,270.8 million cubic meters), while the gas transportation volume of tank trucks was 169.8 million cubic meters (HY2021: 525.2 million cubic meters). The throughput volume of Jingtang Receiving Terminal Projects increased due to the cold weather in the early of 2022 and the longer heating period as compared to the corresponding period of last year, resulting in a corresponding increase in the outward transmission volume.

FUTURE PROSPECTS

Although the pandemic has eased in various regions of China and the economy has gradually recovered, according to statistics, after the end of the heating season this year, the demand for city gas has weakened, coupled with the impact of the domestic pandemic and high gas prices, and the fact that downstream users have a lower operating rate, and the demand for gas refueling stations and industry has not recovered, all of which lead to a decline in the apparent consumption of domestic gas. Faced with the impact of various economic factors, the Group's operations will be more challenging in this year.

The Group will continue to combine the business advantages of its major shareholder, Beijing Gas Group, to further improve in terms of strategic synergy, talent acquisition and management enhancement, so as to help the Group reaching a new level of development and reward its major shareholders and investors with better performance. PetroChina Jingtang LNG Co., Ltd., in which the Group holds 29% equity interest, is the LNG receiving terminal with the largest LNG storage capacity and the strongest peak regulation capacity in China. As a clean and environmentally friendly energy infrastructure, PetroChina Jingtang LNG Co., Ltd. provides a guarantee for the continuous optimization of the energy structure of the Beijing-Tianjin-Hebei region and the achievement of the goal of carbon peaking and carbon neutrality, and continues to provide the Group with certain stable income and cash flow. With the commencement of production of the Tianjin Nangang LNG emergency reserve project of the major shareholder Beijing Gas Group, the Group will have more opportunities to cooperate with Beijing Gas Group in LNG trading and distribution in the future.

In June 2022, the Ministry of Ecology and Environment and seven other departments jointly issued the "Implementation Plan for Synergistic Effectiveness in Reducing Pollution and Reducing Carbon", which makes systematic arrangements for promoting synergistic effectiveness in reducing pollution and reducing carbon. The program puts forward work targets including the basic formation of the work pattern of carbon reduction synergy by 2025, and significantly enhancing carbon reduction synergy by 2030, etc.

The Group will continue to participate in the development of the entire natural gas industry chain, enhance the value of premium city gas business, and move towards becoming a new type of gas enterprise. In terms of the whole LNG industry chain business, the Group will accelerate the expansion of its business operations nationwide, so as to build up its advantage in the development of the whole industry chain of LNG business. In the future, the Group plans to integrate the entire LNG industry chain, and will also consider the sustainable development of oil and gas trading to enhance the diversity and competitiveness of the Group's gas source structure, so as to develop the Group into an influential natural gas trading enterprise in China.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will comply with the general direction of national development and contribute to the Group's comprehensive competitiveness in the natural gas market through the deployment of the entire LNG industry chain. In addition, the resumption of trading of the Shares in July 2022 facilitates the Group's efforts in the capital market and builds up strength for the Group's sustainable development. As the overseas listed investment and financing platform of Beijing Gas Group, the Group will actively seize the market opportunities under the dual carbon target to accelerate the development of renewable energy and clean energy. In the future, with the support of controlling shareholder, the Group will consider developing an integrated distributed energy business in the future, with a view to developing the Group into a future-oriented integrated clean energy operator with a focus on quality city gas projects and LNG industry chain, and creating greater returns for the shareholders.

FINANCIAL REVIEW

Revenue

Revenue decreased by 23.7% from HK\$1,205.3 million for HY2021 to HK\$919.3 million for HY2022, mainly due to the decreases in revenue from (i) the trading and distribution of natural gas business; and (ii) the direct supply to industrial users business.

Gross Profit, Gross Profit Margin and Segment Profit

The Group recorded gross profit of HK\$40.6 million for HY2022 (HY2021: HK\$47.1 million), representing a decrease of 13.8% as compared to the corresponding period of last year. The Group's gross profit margin increased from 3.9% for HY2021 to 4.4% for HY2022. The increase in gross profit margin was mainly due to the Group adjusted the operation of the business and its business model during HY2022.

Segment profit decreased by 39.3% from HK\$163.9 million for HY2021 to HK\$99.5 million for HY2022, which was mainly due to the decrease in segment profits of direct supply to industrial users business and trading and distribution of natural gas business.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation decreased by 14.6% from HK\$144.4 million for HY2021 to HK\$123.4 million for HY2022. It was resulted from the consequence of global COVID-19 pandemic which negatively affected revenue of the Group and the increase in legal and professional expenses arising from the professional services for the resumption of trading in the Shares for HY2022.

Other Income and Gains, net

Other income and gains amounted to HK\$17.6 million (HY2021: HK\$11.3 million) for HY2022, which was mainly due to gain on disposal of a joint venture of HK\$6.0 million.

Administrative expenses

Administrative expenses decreased by 19.0% from HK\$118.7 million for HY2021 to HK\$96.1 million for HY2022. It was mainly due to the decrease in daily operational cost (i.e. staff costs) as a result of the implementation of cost reduction and efficiency enhancement and further improvement of the Group's operational efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

Other expenses increased from HK\$12.6 million for HY2021 to HK\$41.1 million for HY2022, which was mainly due to the increase in legal and professional expenses arising from the professional services for the resumption of trading in the Shares for HY2022. Such expenses incurred in HY2022 are non-recurring items.

Finance costs

Finance costs decreased by 18.6% from HK\$64.9 million for HY2021 to HK\$52.8 million for HY2022, which was mainly attributable to the decrease in the average balances of bank and other borrowings of the Group as compared to the corresponding period of last year.

Income tax expenses

Income tax expenses was calculated at the applicable tax rates on the estimated assessable profits of the Group's PRC subsidiaries and Hong Kong subsidiaries for the period ended 30 June 2022 and 2021 respectively. Income tax expenses of HK\$1.3 million (HY2021: HK\$3.3 million) for HY2022 mainly represented the current taxation arising from its PRC subsidiaries of HK\$1.8 million.

Profit attributable to the owners of the Company

The Group's profit for the period attributable to the owners of the Company was HK\$20.0 million for HY2022, representing a decrease by HK\$20.1 million from HK\$40.1 million for HY2021.

Reversal of impairment of financial assets

The reversal of impairment of the Group's financial assets for HY2022 was HK\$14.8 million, representing a decrease of HK\$19.5 million as compared to the reversal of HK\$34.3 million for HY2021.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, bank and other borrowings and lease liabilities.

The Group maintained cash and cash equivalent amounting to HK\$332.5 million as at 30 June 2022 (31 December 2021: HK\$230.9 million), representing an increase by 44.0% from 31 December 2021, which include HK\$171.2 million of restricted cash and pledged deposits (31 December 2021: HK\$519.1 million).

The Group had total bank and other borrowings of HK\$3,112.1 million as at 30 June 2022 (31 December 2021: HK\$3,579.7 million). The Group's leverage ratio, which is total bank and other borrowings divided by the total assets, was 68.1% (31 December 2021: 68.4%).

The Group's non-current assets decreased to HK\$3,256.0 million (31 December 2021: HK\$3,688.2 million), primarily due to (i) the decrease in interests in associates by HK\$224.4 million; and (ii) the decrease in deposits for acquisition of subsidiaries by HK\$227.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2022, the Group's current assets amounted to HK\$1,316.9 million (31 December 2021: HK\$1,547.9 million), which mainly comprised trade receivables of HK\$168.9 million (31 December 2021: HK\$160.7 million), cash and cash equivalent of HK\$332.5 million (31 December 2021: HK\$230.9 million), restricted cash and pledged deposits of HK\$171.2 million (31 December 2021: HK\$519.1 million), amounts due from associates of HK\$2.1 million (31 December 2021: HK\$2.0 million), amounts due from joint ventures of HK\$65.9 million (31 December 2021: HK\$70.0 million), inventories of HK\$23.0 million (31 December 2021: HK\$15.3 million), contract assets of HK\$16.4 million (31 December 2021: HK\$26.0 million), financial assets at FVTPL of HK\$17.0 million (31 December 2021: HK\$17.7 million) and prepayments, deposits and other receivables of HK\$519.9 million (31 December 2021: HK\$506.2 million).

As at 30 June 2022, the Group's current liabilities amounted to HK\$3,866.9 million (31 December 2021: HK\$4,413.4 million), which mainly comprised bank and other borrowings of HK\$3,058.4 million (31 December 2021: HK\$3,486.4 million), other payables and accrued charges of HK\$497.3 million (31 December 2021: HK\$472.0 million), trade payables and bills payables of HK\$162.7 million (31 December 2021: HK\$294.4 million), provision for liability of HK\$76.0 million (31 December 2021: HK\$79.7 million), lease liabilities of HK\$7.9 million (31 December 2021: HK\$9.3 million), amount due to joint ventures of HK\$64.6 million (31 December 2021: HK\$70.2 million) and amount due to associates of Nil (31 December 2021: HK\$1.5 million).

As at 30 June 2022, the net current liabilities of the Group amounted to HK\$2,550.1 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 0.34 as at 30 June 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 442.3% as at 30 June 2022 (31 December 2021: 477.7%).

During HY2022, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

The Group's employees are based in Hong Kong and the PRC. As at 30 June 2022, there were 718 (31 December 2021: 934) employees in the Group. Staff remuneration packages are determined with reference to market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, certain buildings and gas pipelines of the Group with carrying amounts of HK\$95.2 million (31 December 2021: HK\$103.9 million) were pledged as security for the Group's other borrowings amounting to HK\$75.0 million (31 December 2021: HK\$96.8 million). In addition, the Group's secured bank borrowings were secured by the Group's bank balances of HK\$163.0 million (31 December 2021: HK\$497.0 million).

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 utilize more RMB denominated borrowings in the future. The Group's revenue is mainly denominated in RMB. As RMB is not a freely convertible currency and is regulated by the PRC government, future exchange rates can vary significantly 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 30 June 2022, the Group had no material contingent liabilities.

DIVIDEND

The Board did not declare an interim dividend for HY2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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.

Save as disclosed in this report, the Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

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.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

As disclosed in the Company's announcement dated 22 July 2022, as all the Resumption Guidance have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 25 July 2022 on the Stock Exchange. Accordingly, trading in the Company's shares resumed on the Stock Exchange on 25 July 2022.

OTHER INFORMATION

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

As at 30 June 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 Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange 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 Rules Governing the Listing of Securities on Stock Exchange (“Listing Rules”).

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

As at 30 June 2022, persons/corporations (other than the Directors and 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 <small>(Note 1)</small>	Approximate percentage of shareholding at 30/6/2022
Mr. Cheng Ming Kit <small>(Note 2)</small>	Beneficial owner	391,962,514 (L)	3.02%
	Interest of controlled corporations	687,100,256 (L)	5.29%
Grand Powerful Group Limited <small>(Note 2)</small>	Beneficial owner	584,148,256 (L)	4.50%
Beijing Gas Company Limited <small>(Note 3 & 4)</small>	Beneficial owner	5,341,042,131 (L)	41.13%
Beijing Gas Group Co., Ltd <small>(Note 3 & 4)</small>	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Beijing Enterprises Group Company Limited <small>(Note 3 & 4)</small>	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Mr. Lee Tsz Hang <small>(Note 5)</small>	Beneficial owner	564,845,000 (L)	4.35%
	Interest of controlled corporation	213,032,000 (L)	1.64%

OTHER INFORMATION

Notes:

1. The letter “L” denotes a long position in the shares of the Company.
2. Mr. Cheng Ming Kit (“Mr. Cheng”) holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 584,148,256 Shares held by Grand Powerful Group Limited and 100% interest in China Print Power Limited and is deemed to be interested in 102,952,000 Shares held by China Print Power Limited. According to the disclosure of interests notices filed by Mr. Cheng, (i) Mr. Cheng personally holds 108,249,824 Shares and shall purchase up to 153,750,000 Shares upon request from an option holder; (ii) Mr. Cheng is also having a right derived from an option to purchase up to 120,000,000 Shares from another option holder; and (iii) Mr. Cheng has options to subscribe for 9,962,690 Shares upon the full exercise of the share options granted to him under the Company’s share option scheme. However, to the best information and knowledge of the Company, the aforementioned 9,962,690 share options granted by the Company (in respect of 9,962,690 Shares) have lapsed automatically upon his removal as a Director on 29 November 2021.
3. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Gas Group Co., Ltd. and is deemed to be interested in 5,341,042,131 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 Co., Ltd.
4. As per the disclosure of interest form filed by Beijing Gas Company Limited on 19 September 2018, Beijing Gas Company Limited is interested in 5,341,042,131 issued Shares and 337,777,778 unissued Shares, which shall be issued and allotted upon completion of the acquisition of Beijing Gas Group (Teng County) Co., Ltd.* (北京燃氣集團滕縣有限公司). As at 30 June 2022 and up to the date of this report, such acquisition has yet to be completed. For further details regarding the acquisition, please refer to the Company’s circular dated 26 April 2018.
5. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 213,032,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 564,845,000 Shares.

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 Stock Exchange 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 30 June 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.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions listed in the CG Code during HY2022.

OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Each of Mr. Chen Ning and Mr. Yeung Shek Hin has been appointed as an executive Director on 1 June 2022 and 1 July 2022 respectively. Their biographical details and information as disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out in the announcement of the Company dated 23 May 2022.

Save as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2021 annual report of the Company up to the date of this interim report.

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.

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.

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.

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.

Bank loan contract entered into on 20 October 2020

Pursuant to the working capital loan contract entered into between the Company and a bank on 20 October 2020 (the “**Original Bank Loan Contract**”) in relation to a loan of HK\$300,000,000 (or equivalent amount denominated in Hong Kong dollar) with the term of loan line from 20 October 2020 to 27 March 2022, the Company undertakes that (i) Beijing Gas Group directly or indirectly remains its position as the largest shareholder of the Company; and (ii) Beijing Enterprises Group Company Limited remains as the controlling shareholder of Beijing Gas Group. In the event the any of aforesaid undertaking has been breached, the bank may demand payment and settlement of obligations from the borrower. The Company as borrower and the bank as lender entered into a supplemental agreement to renew the loan contract and to extend the repayment date of the outstanding principal to 22 November 2022.

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.

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. The Company and the bank entered into a supplemental agreement to renew the facility letter and extend the repayment date of the outstanding principal to 22 November 2022.

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.

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 any and 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.

OTHER INFORMATION

CONTINUING CONNECTED TRANSACTIONS

On 25 February 2021, the Company entered into the Master Agreement with Beijing Gas Group (Beijing Gas Company Limited, the controlling shareholder of the Company holding approximately 41.13% of the issued share capital of the Company, was indirectly wholly-owned by Beijing Gas Group), pursuant to which Beijing Gas Group agreed to sell LNG to the Company for a term of a period commencing from 25 February 2021 to 31 December 2023.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the six months ended 30 June 2022.

AUDITOR REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results have not been audited by the Group's external auditors.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") currently comprises three members, namely Ms. Hsu Wai Man Helen ("**Ms. Hsu**"), Mr. Cui Yulei and Mr. Xu Jianwen, all being independent non-executive Directors. Ms. Hsu is the chairlady 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 also reviewed with the management the condensed consolidated financial statements of the Group and its unaudited interim results for the six months ended 30 June 2022. The Audit Committee has also reviewed this report.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises seven Directors, including three executive Directors viz Mr. Li Weiqi, Mr. Chen Ning and Mr. Yeung Shek Hin; one non-executive Director, Mr. Zhi Xiaoye, and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.

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

Hong Kong, 30 August 2022