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 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit *(Co-chairman of the Board and Chief Executive Officer)*
Mr. Hung Tao
Mr. Li Weiqi *(resigned on 27 September 2019)*
Mr. Jin Qiang *(appointed on 27 September 2019)*

Non-executive Director

Mr. Zhi Xiaoye *(Co-chairman of the Board)*

Independent Non-executive Directors

Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin

COMMITTEE MEMBERS

Audit Committee

Mr. Lim Siang Kai *(Chairman)*
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin

Remuneration Committee

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Pang Siu Yin

Nomination Committee

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Cheng Ming Kit
Mr. Pang Siu Yin

AUTHORISED REPRESENTATIVES

Mr. Hung Tao
Mr. Siew Chun Fai *(resigned on 14 January 2020)*
Mr. Ko Chi Ho *(appointed on 14 January 2020)*

COMPANY SECRETARY

Mr. Siew Chun Fai *(resigned on 14 January 2020)*
Mr. Ko Chi Ho *(appointed on 14 January 2020)*

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

AUDITOR

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Certified Public Accountants
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Wanchai, Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) 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, 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 refuelling stations for vehicles. The Group aims to become China's leading natural gas integrated operator and will focus on LNG business in the short term. In addition, the Group is proactively expanding its business layout across the country and fully gets involved in the development throughout the whole natural gas industry chain, thus creating the whole industrial chain development advantages for LNG business.

CHAIRMAN'S STATEMENT

In the future, the Group will continue to leverage its two major advantages and play a key role in advancing China's natural gas industry. One of the advantages is the institutional advantage coming from the mixed-ownership reform of state-owned enterprises. The other advantage comes from the LNG whole industry chain.

Dear shareholders,

I have the pleasure to present, on behalf of Beijing Gas Blue Sky Holdings Limited, to you the 2019 annual report.

In 2019, the growth of natural gas industry has slowed down. According to data from the National Development and Reform Commission, China's apparent consumption of natural gas stood at 306.7 billion cubic meters in 2019, up 9.4% year on year ("YoY"), falling from 18.1% YoY recorded in the same period in 2018. Such fall was primarily due to several factors, including a decline in industrial demand caused by a slowdown in domestic economic growth, the narrowing of increase in "Coal to Gas", and a decline in peak-shaving demand caused by high temperature in winter.

Although the industry's growth slowed down, the development direction of the natural gas being a representative of clean energy will remain unchanged in the future. The natural gas industry underwent significant development with major breakthroughs in 2019. In March, the Implementation Opinions on the Reform of the Operation Mechanism of the Oil and Gas Pipeline Network were approved, which provided guidance for deepening the market-oriented reform of the natural gas industry, improving the allocation efficiency of oil and gas resources, and ensuring the safe and stable supply of oil and gas. In December, the China-Russia East-route Natural Gas Pipeline (North Section) was officially put into operation. China began to receive Russian pipeline gas sources, from which Northeast China and the Beijing-Tianjin-Hebei region will benefit. In the same month, National Petroleum and Natural Gas Pipe Network Group Co., Ltd. was established, which is a major measure taken by the state to deepen the reform of the oil and gas industry and ensure the safe and stable supply of oil and gas.

CHAIRMAN'S STATEMENT

In the current industry environment, the Group achieved good results. It recorded: natural gas sales up to approximately 1 billion cubic meters, a substantial YoY increase of approximately 90.0%; operating income amounting to HK$2,676.1 million, a YoY increase of 24.6%; gross profit (adding back government subsidies and grants for city gas included in other gains and losses) amounting to HK$324.7 million, representing an increase of 53.9%. The Company's revenue attributable to the projects (mainly the PetroChina Jingtang LNG receiving terminal projects) from the associate was approximately HK$305.7 million, a YoY increase of approximately 21.6% in profit contribution. The Group's overall net profit hit HK$73.9 million, a slight decrease from that of the same period in 2018. However, the decline had nothing to do with the Company's business, but was due to the impact of one-off income. If such impact was excluded, the Group's overall profit actually increased as compared to the same period in 2018.

In 2019, the Company also made important progress in business development. In April 2019, the LNG acquisition project in East China, which was a key project of the Group, was successfully completed. As a result, the Group's business in East China grew quickly. In September 2019, the Group executed a strategic cooperation agreement with China Sam Enterprise Group, pursuant to which, the parties will mainly cooperate in the field of LNG. The resources of the LNG receiving terminals of China Sam Enterprise Group in Jiangsu and Guangdong will effectively enhance the Group's competitiveness in the entire LNG industry chain.

In terms of operations, the Group obtained more financing opportunities with the support from the major shareholder Beijing Gas Group. From April 2019 to the date of this report, the Group has obtained a total of approximately HK$2.25 billion in financing with commercial banks, empowering the Group to upgrade financing capacity and improve financing structure. At the same time, the Group continued to carry out comprehensive cost reduction and efficiency improvement to increase project profits. With the support from the major shareholder, the organization adapted better to the development of the natural gas industry, and established a comprehensive performance management system, a budget management system and an engineering safety management system. Thus, the Group took a solid step on the road into the China's natural gas industry.

Looking ahead, the Group is still full of confidence in China's natural gas industry. In the future, the Group will continue to leverage its two major advantages and play a key role in advancing China's natural gas industry. One of the advantages is the institutional advantage coming from the mixed-ownership reform of state-owned enterprises. The Group will use the excellent "mixed genes" after restructuring. Combining the advantages of state-owned enterprises in terms of capital strength, brand influence, resource strength and enterprise management capabilities with the Group's own market sensitivity and flexible mechanism, it will integrate the resources of all parties, learn from others' strong points to offset its weakness to achieve mutual development. The other advantage comes from the whole LNG industry chain. As a listed company focusing on the development of the LNG whole industry chain business, the Group has successfully established a whole industry chain business layout from upstream to downstream, and has obtained competitive advantage in the regional market.

As an important supplement to China's natural gas consumption, LNG has maintained rapid growth in the past few years. Under the collapse of current global oil prices and the establishment of national pipeline network companies, the Group believes that LNG is enjoying a favorable situation, regardless of whether it is used as a peak shaving supplement for domestic pipeline natural gas or as a competitor to pipeline natural gas and other energy. Recently, the international spot price for LNG is at a historical low, and the LNG market has a strong market-oriented price transmission advantage, which makes the low LNG price more competitive in the market. The market for LNG, whether used as a gas source or liquid product, is entering a window of development. The Group, as a listed company that has already deployed the whole industry chain business for LNG, believed that it will obtain a new round of high-quality development upon this opportunity.

At present, under impact of COVID-19 spreading worldwide, a majority of industries in China are experiencing a slowdown to some extent. As a company with a public utility nature, the Group actively performs corporate responsibilities and social responsibilities in the event of an outbreak of COVID-19, makes efforts to supply natural gas for residents and necessary industrial and commercial users while protecting the health and safety of personnel, and ensure the normal operation of customers' lives and operations. Meanwhile, the Group also strives to seize development opportunities to actively expand its business and provide natural gas supply to more users, and make greater contributions to the development of clean energy for the country and society.

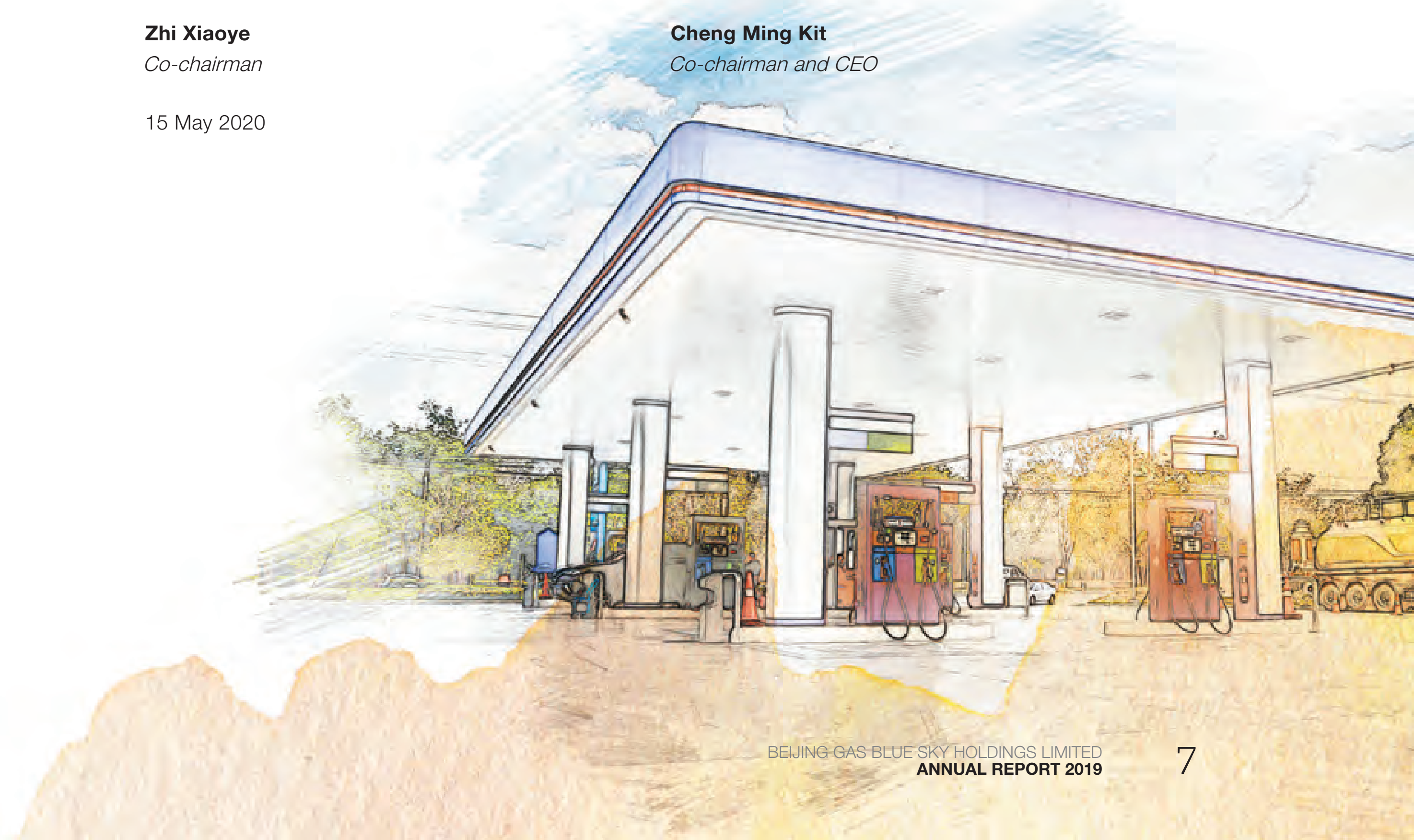
Under context of the epidemic, the Group once again wishes everyone safe and healthy, expresses its sincere gratitude to every medical staff who is fighting the coronavirus pandemic, as well as those who stay on duty. They are working together to overcome difficulties. We strongly believe that we will win the battle against the epidemic and will soon return to the beautiful life under the blue sky!

Lastly, the Group would like to extend its heartfelt gratitude to the customers, employees, partners and shareholders for their ongoing support and encouragement. Their support along the way is the greatest motivation for the Group to keep moving forward!

Zhi Xiaoye
Co-chairman

Cheng Ming Kit
Co-chairman and CEO

15 May 2020



MANAGEMENT DISCUSSION AND ANALYSIS

The Group actively responded to national policies. In order to properly implement the Blue Sky Defensive Strategy to improve the quality of the atmospheric environment, the Group deepened the existing project regional market and vigorously promoted the coal-to-gas process in the plain regions.

INDUSTRY OVERVIEW

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

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

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

REVIEW OF OPERATIONS

For the year ended 31 December 2019 ("FY2019"), the Group recorded a revenue of HK$2,676.1 million (FY2018: HK$2,148.5 million), representing an increase of 24.6% as compared to the corresponding period of last year. The growth was mainly attributable to the completion of the acquisition of Zhejiang Bo Xin and Xin Te (the "Zhejiang Acquisition") this year. LNG business has been launched with great success, as income from LNG business increased significantly by 66.5% over the corresponding period, and income from direct LNG supply business also increased by 21.7% over the corresponding period. Gross profit increased from HK$198.4 million for the year ended 31 December 2018 ("FY2018") to HK$224.5 million for FY2019. The Group recorded a net profit of HK$73.9 million (FY2018: HK$261.5 million), representing a decrease of 71.8% as compared to the corresponding period of last year, which mainly due to absence of the following gains in FY2019 (i) disposal of subsidiaries; (ii) deemed partial disposal of an associate; (iii) partial disposal of joint ventures and (iv) gain arising from acquisition of an associate (collectively the "One-off Gains"). Excluding the One-off Gains, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group increased by 28.4% to HK$480.5 million in FY2019.

The Group's major natural gas projects:

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

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

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

CITY GAS BUSINESS

As of FY2019, the Group had 6 city gas projects in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group connected gas pipelines for 45,042 new users and the accumulated number of users reached 477,443, of which 44,784 were new residential users and the accumulated number of residential users reached 474,949. The volume of natural gas sold by the Group to residential users amounted to 72.6 million cubic meters (FY2018: 53.8 million cubic meters). The Group secured 258 new industrial and commercial users and the accumulated industrial and commercial users reached 2,494, and the natural gas sold to industrial and commercial users reached 94.1 million cubic meters (FY2018: 79.2 million cubic meters). City gas segments recorded an income of HK$565.0 million, which included a connection fee income of HK$68.3 million, and the government grants and subsidies of HK$82.1 million and HK$18.2 million respectively were recorded in other gains and losses (FY2018: HK$209.9 million).

The Group actively responded to national policies. In order to properly implement the Blue Sky Defensive Strategy to improve the quality of the atmospheric environment, the Group deepened the existing project regional market and vigorously promoted the coal-to-gas process in the plain regions. Moreover, the Group is developing high-quality industrial and commercial users in order to adjust the gas consumption structure of the Northeast market, the Group continued to improve the market system with the goal of "market integration" and made important contributions to the Group's overall gas volume and revenue. In addition, further development of urbanization boosted residential gas consumption. As China's economy continues to grow, urbanization is expected to achieve stable development, and gas market will likely further expand in the future.

TRADING AND DISTRIBUTION OF LNG AND CNG BUSINESS

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

DIRECT SUPPLY BUSINESS

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

LNG AND CNG REFUELLING STATION BUSINESS

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

LNG RECEIVING TERMINAL PROJECT

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

Expansion initiatives

The Group completed the Zhejiang Acquisition in May 2019, the consideration of which was RMB205,000,000 (equivalent to approximately HK$253,097,000). As an essential LNG strategy of the Group, the project will help the Group to further improve its comprehensive competitiveness in LNG markets in the Eastern China or even across China.

FUTURE PROSPECTS

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

Seize the benefit from policies, realise the key layout

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

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

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

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

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

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

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

Improve management system to promote high-quality development

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Segment Profit

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

Segment profit decreased by 12.6% from HK$563.6 million for FY 2018 to HK$492.8 million for FY 2019, which was mainly due to the absence of One-off Gains in FY 2019, which included the gain arising from acquisition of an associate of HK$198.0 million for FY 2018.

Earnings before Interests, Tax, Depreciation and Amortisation

EBITDA decreased from HK$642.6 million for FY 2018 to HK$480.5 million for FY 2019, as there are no One-off Gains in FY 2019.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$100.4 million for FY2018 to HK$165.6 million for the FY2019, which is mainly due to the increase in government subsidies by HK$82.1 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 19.1% from HK$284.8 million for FY2018 to HK$339.2 million for FY2019. It was mainly due to the increase in (i) the transaction cost of acquisition of subsidiaries by HK$32.6 million and (ii) bond commission by HK$28.1 million.

(b) Other expenses

Other expenses increased by 112.1% from HK$10.7 million for FY2018 to HK$22.7 million for FY2019 which was mainly due to the increased bank charges by HK$5.0 million and legal and professional fees by HK$1.8 million.

(c) *Finance costs*

Finance costs increased from HK$241.8 million for FY2018 to HK$244.2 million for FY2019 which was mainly due to the combined effect of increase in interest on bank and other borrowings of HK$24.6 million and decrease in interest for convertible bond of HK$28.4 million.

(d) *Income tax (expense)/credit*

Income tax (expense)/credit was calculated at the applicable tax rates on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for FY2018 and FY2019 respectively.

Income tax expenses of HK$23.2 million for FY2019 represented the current taxation arising from the PRC subsidiaries of HK$41.2 million and the deferred tax credit of HK$18.0 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) *(Loss)/profit attributable to the owners of the Company*

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

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

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

The Group had total borrowings of HK$3,156.2 million as at 31 December 2019 (2018: HK$2,277.4 million). The Group's leverage ratio, which is total borrowings divided by the total assets was 36.5% (2018: 27.7%).

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

As at 31 December 2019, the Group's current assets of HK$2,168.5 million (31 December 2018: HK$1,889.4 million), mainly comprised of cash and bank balances of HK$542.3 million (31 December 2018: HK$281.6 million); trade and other receivables of HK$1,235.7 million (31 December 2018: HK$1,154.9 million); financial assets at fair value through profit or loss of HK$220.2 million (31 December 2018: HK$220.9 million); inventory of HK$54.4 million (31 December 2018: HK$57.0 million); contract assets of HK$46.6 million (31 December 2018: HK$93.0); amounts due from joint ventures of HK$38.0 million (31 December 2018: HK$37.6 million); amounts due from associates of HK$31.3 million (31 December 2018: HK$30.7 million).

As at 31 December 2019, the Group's current liabilities of HK$3,216.6 million (31 December 2018: HK$1,789.4 million), mainly comprised of bank and other borrowings of HK$2,167.4 million (31 December 2018: HK$925.2 million); convertible bonds of HK$373.4 million (31 December 2018: HK$331.9 million); trade and other payables of HK$466.5 million (31 December 2018: HK$254.0 million); contract liabilities of HK$173.7 million (31 December 2018: HK$269.7); and lease liabilities of HK$35.6 million (31 December 2018: nil).

As at 31 December 2019, the net current liabilities of the Group amounted to HK$1,048.1 million (31 December 2018: net current assets amounted to HK$100.0 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.67 as at 31 December 2019 (31 December 2018: 1.06). During the year ended 31 December 2019, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Ming Kit ("Mr. Cheng"), aged 45, has been appointed as an executive Director and a member of the nomination committee of the Company since 7 May 2014, is the Co-chairman of the Board and was appointed as the chief executive officer in January 2018. Mr. Cheng is responsible for the strategic plans and future direction of the Group. He has been appointed as a member of the Ningxia Hui Autonomous Region CPPCC in January 2018. He holds a MBA degree from University of North Carolina, Charlotte and a bachelor degree in Commerce from the University of Alberta, Canada. Mr. Cheng has over 10 years of experience across mergers and acquisitions, capital markets, and corporate finance and has built a specific focus on investment and management in the energy business in Hong Kong, PRC and overseas. From 1995 to 2003, Mr. Cheng held various positions which were responsible for corporate finance and property development activities in PRC. From 2003 to 2008, Mr. Cheng was involved in the investment and operations in the gold mining industry in the PRC and had held senior positions in a mining company listed on the Toronto Stock Exchange Venture Board with mining and exploration operations in PRC. Mr. Cheng stepped down as a non-executive director of New Times Energy Corporation Limited (stock code: 0166) on 13 April 2018, which shares are listed on the SEHK.

Mr. Hung Tao ("Mr. Hung"), aged 55, has been appointed as an executive Director of the Company since 28 October 2013. He is a real estate appraiser of the China Institute of Real Estate Appraisers and Agents. Mr. Hung holds a bachelor degree in Biology Department of Science Faculty from the Chinese University of Hong Kong and a MBA degree of University of Northern Virginia, the United States. He has more than 22 years' experience involving in due diligence for China state-owned, private enterprises and joint ventures, for the purpose of initial public offerings, mergers and acquisitions, financing and etc. Before joining the Group, Mr. Hung was a director and head of China Valuation Department of Savills Valuation and Professional Services Limited from 2005 to 2013.

Mr. Jin Qiang ("Mr. Jin"), aged 50, has been appointed as an executive Director of the Company since 27 September 2019. He is a vice president of the Group since April 2018 and director of certain subsidiaries of the Company. He obtained a Bachelor degree of City Gas Engineering from Beijing Construction Engineering College (now Beijing University of Civil Engineering and Architecture) in 1992 and a Master degree of Electronic and Communication Engineering from Beijing University of Technology in 2001 and is currently a senior engineer. Mr. Jin has over 25 years of experience in gas construction, operation scheduling and corporate safety. Prior to joining the Group, Mr. Jin was responsible for pipe network business of 北京市煤氣公司 from 1992 to 2000 and has served as the deputy manager of corporate safety department of Beijing Gas Group since 2000.

NON-EXECUTIVE DIRECTOR

Mr. Zhi Xiaoye ("Mr. Zhi"), aged 52, has been appointed as a non-executive Director and Co-chairman of the Board of the Company since 11 May 2016. Mr. Zhi graduated from Beijing University of Technology with a master degree in Management Science and Engineering and is a senior engineer. He worked at Tokyo Gas in Japan as researcher, at Beijing Gas as transmission branch manager, at Beijing Dingxin New Technology Company Limited (北京市鼎新新技術有限公司) as chairman and at Beijing Gas as 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 Co, Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Siang Kai ("Mr. Lim"), aged 63, has been an independent non-executive Director since 26 March 2007. Prior to joining the Group, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 30 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim was appointed as a non-independent non-executive chairman of D'nonce Technology Berhad (a company listed in Malaysia) on 12 June 2019. Mr. Lim is the chairman and independent non-executive director of ISDN Holdings Limited (a company listed in Singapore and also on the Hong Kong Stock Exchange under stock code 1656) and an independent director of Joyas International Holdings Limited (a company listed in Singapore). Mr. Lim has been the chairman and independent director of Samurai 2K Aerosol Limited (a company listed in Singapore) since 16 January 2017. He ceased to be an independent director of Natural Cool Holdings Limited (a company listed in Singapore) on 8 February 2017. Mr. Lim holds a bachelor of arts degree and a bachelor of social sciences (Honours) degree from the National University of Singapore, and a master of arts degree in economics from the University of Canterbury, New Zealand.

Mr. Wee Piew ("Mr. Wee"), aged 56, has been an independent non-executive Director of the Company since 26 March 2007. He is currently the non-executive chairman and independent director of Hosen Group Ltd as well as a non-executive independent director of Miyoshi Limited – both companies are listed in Singapore. Mr. Wee was previously the chief executive officer and executive director of three public listed companies in Singapore – PSL Holdings Ltd, HG Metal Manufacturing Ltd and Kian Ho Bearings Ltd. Prior to joining the corporate world, Mr. Wee held various positions in both local and foreign banks. He graduated from the National University of Singapore with a bachelor of Accountancy (Honours) in 1988 and was a Fellow of the Institute of Singapore Chartered Accountants from 2004 to 2017.

Mr. Ma Arthur On-hing ("Mr. Ma"), aged 52, has been an independent non-executive Director of the Company since 3 November 2014. Mr. Ma has over 20 years of experience in investment, fund management and financial management. He is currently an advisor to the blockchain and healthcare projects for a private investment group. Before that, he was Chief Operations Officer of Wealthy Global Financial Asset Management Limited. He was an executive director of KOALA Finance Group Limited (stock code: 8226) until 30 June 2017 which shares are listed on the GEM of the SEHK. He holds a bachelor's degree in Accounting and Finance from San Francisco State University, USA, a master's degree in Finance from Golden Gate University, USA, a master's degree in Linguistics from the Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants.

Mr. Pang Siu Yin ("Mr. Pang"), aged 61, has been appointed as an independent non-executive director of the Company since 21 February 2017. He graduated from the University of Leeds with a bachelor of laws degree in 1984 and obtained a master of business administration degree from the University of Aston in 1985. Mr. Pang also obtained a postgraduate certificate in laws from the University of Hong Kong in 1988. Mr. Pang has been a practising solicitor of the high court of Hong Kong since 1990 and was also admitted as a solicitor in England and Wales in 1997. He is currently a partner of LCP, a firm of solicitors in Hong Kong, with his practice focusing on commercial and litigation. Mr. Pang was an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) from January 2018 to July 2019, Affluent Partners Holdings Limited (stock code: 1466) from November 2016 to September 2018 and Winto Group (Holdings) Limited (stock code: 8238) from July 2015 to March 2018, all the companies' shares are listed on the SEHK.

SENIOR MANAGEMENT

Mr. Ko Chi Ho ("Mr. Ko"), aged 52, is the chief financial officer and company secretary of the Group. He graduated from Warwick Business School with a master of science degree in Economics and Finance. He is a United Kingdom/ Hong Kong registered Certified Public Accountant and a fellow member of The Hong Kong Institute of Chartered Secretaries. Mr. Ko has over 20 years' experience in relevant management positions in China's finance and project management. Prior to joining the Group, Mr. Ko worked for financial positions at Towngas International Co. Ltd. on cross border project acquisitions and financial management for 7 years. Then he worked as director of Greater China and Hong Kong at Labuan IBFC of Malaysian government and participated in drafting the Islamic finance law related to Sukuk issuance in Hong Kong. He had participated in the policies and legal promotion of offshore jurisdiction financial centers and serves as a director of Falcon Management Consultancy Limited.

Mr. Li Guangfeng ("Mr. Li"), aged 52, is the senior vice president of the Group. He holds a Master degree from International Relations in Renmin University of China. Prior to joining the Group, Mr. Li worked at ENN Energy Holdings Limited (a company listed on the Stock Exchange under stock code 2688) for more than 10 years and held various positions in different subsidiaries of ENN group including general manager and vice president.

Mr. Che Fuli ("Mr. Che"), aged 44, is the vice president of the Group. He holds a Bachelor degree in City Gas Engineering from Shandong University of Science and Technology and a Master degree in Project Management from Zhejiang University of Technology. Mr. Che has 10 years' experience in natural gas business. Prior to joining the Group, he worked at Shandong Xineng Natural Gas Co., Ltd, ENN Energy Holdings Limited (a company listed on the Stock Exchange under stock code 2688), and Towngas China Company Limited (a company listed on the Stock Exchange under stock code 1083) and held various positions as deputy general manager, general manager and manager for sales management centre.

Mr. Tong Kam Wing ("Mr. Tong"), aged 58, is the assistant to the chairman of the board of Directors. Mr. Tong is experienced in energy trading business, including trading of refined oil, natural gas and other petro-chemical products. He has been focusing on finance and investment business for many years, and possesses vast experience in investment in Hong Kong and PRC.

Mr. Xue Qiang ("Mr. Xue"), aged 41, is the senior vice president of the Group, Mr. Xue graduated from China University of Policical Science and Law with a Bachelor degree in Law in 2001 and obtained a legal practising certificate through the judicial qualification examination in 2002. Prior to joining the Group, Mr. Xue was a vice general manager at Shanxi Minsheng Natural Gas Co., Ltd. (山西民生天然氣有限公司) responsible for market development, purchasing and value-added services. He has more than 10 years of experience in market development and utilization of natural gas business.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") of Beijing Gas Blue Sky Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). The Group has adopted practices which meet the CG Code during the year.

The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2019 (the "Year") save for the deviations as disclosed below.

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 Company and its subsidiaries (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 Board 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, Nomination and Remuneration Committees 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. Notices of not less than 14 days will be given for regular meetings to provide all Directors with an opportunity to attend and include matters in the agenda. 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 Board 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 the Year and the attendance of the Directors are set out in the table below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Mr. Cheng Ming Kit	4/4	N/A	1/1	N/A	0/1
Mr. Hung Tao	2/4	N/A	N/A	N/A	1/1
Mr. Li Weiqi (1)	1/3	N/A	N/A	N/A	0/1
Mr. Jin Qiang (2)	0/1	N/A	N/A	N/A	N/A
Mr. Zhi Xiaoye	0/4	N/A	N/A	N/A	0/1
Mr. Lim Siang Kai	4/4	2/2	1/1	1/1	0/1
Mr. Wee Piew	4/4	2/2	1/1	1/1	1/1
Mr. Ma Arthur On-hing	4/4	2/2	1/1	1/1	1/1
Mr. Pang Siu Yin	3/4	2/2	1/1	1/1	0/1

Notes:

(1) Resigned on 27 September 2019.

(2) Appointed on 27 September 2019.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhi Xiaoye, a non-executive Director, and Mr. Lim Siang Kai and Mr. Pang Siu Yin, independent non-executive Director did not attend general meeting held in the Year due to their other business commitments.

BOARD COMPOSITION AND GUIDANCE

The Board comprises:

Executive Directors
Mr. Cheng Ming Kit *(Co-chairman & chief executive officer)*
Mr. Hung Tao
Mr. Li Weiqi *(Resigned on 27 September 2019)*
Mr. Jin Qiang *(Appointed on 27 September 2019)*

Non-executive Director
Mr. Zhi Xiaoye *(Co-chairman)*

Independent Non-executive Directors
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin

The biographical details of each of the Directors are set out on pages 19 to 20 under the section headed "Biographies of Directors and Senior Management" of this annual report.

When new Directors are appointed, the Company will provide a formal induction to the new Directors setting out their duties and obligations under the laws and the Listing Rules as well as a briefing by the Chairman, on the Group's business and operations, policies and governance practices to ensure that they have a proper understanding.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number of Directors upon effectiveness in decision making, is of the view that it maintained a balanced composition of executive Directors and non-executive Directors which induce a strong independent element to the Board during the Year. 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.

The composition of the Board and independence of each independent non-executive Director are and will be reviewed annually by the nomination committee. The Company has received from each of the independent non-executive Director an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules and considers that all these Directors (including Mr. Lim Siang Kai and Mr. Wee Piew who have served as independent non-executive Directors of the Company for more than 9 years) are independent.

The non-executive Director, Mr. Zhi Xiaoye, 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. The independent non-executive Directors Mr. Lim Siang Kai and Mr. Wee Piew were appointed with the initial term of the appointment up to 31 May 2013 and 26 May 2012 respectively and the term of appointment shall be automatically renewed annually for such annual period thereafter, and may be terminated by not less than three months' notice in writing served by the Company. The independent non-executive Director Mr. Ma Arthur On-hing was appointed with initial term up to 2 November 2015 and the terms of appointment shall be automatically renewed annually thereafter, and may be terminated by not less than three months' notice in writing served by each party on the other. Mr. Pang Siu Yin was appointed with initial term of the appointment up to 20 February 2018 and shall be automatically renewed annually thereafter, and may be 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 at general meeting pursuant to the Bye-laws.

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

Role of Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheng Ming Kit, a co-chairman of the Company, was appointed as chief executive officer on 19 January 2018 and performed both the roles of chairman and chief executive officer of the Company which is deviated from code provision A.2.1 of the CG Code. The Company believes that Mr. Cheng Ming Kit serves as both the co-chairman and the chief executive officer of the Company is more efficient and effective for the Company to develop its long-term strategies and in the execution of its business plans. The responsibilities of the co-chairman and chief executive officer include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. ensuring that the Directors receive accurate, timely, clear and reliable information;
3. ensuring effective communication and preserving harmonious relations with the shareholders;
4. encouraging constructive relations between the Board and management and between the executive Directors and non-executive Directors;
5. facilitating the effective contribution of the non-executive Directors in particular;
6. promoting high standards of corporate governance and ensuring the Group's compliance with the CG Code;
7. acting in the best interest of the Company and the shareholders; and
8. day to day management.

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 Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

During the Year, Directors were provided with reading materials on the relevant rules and regulatory updates.

Directors	**Reading materials**
Cheng Ming Kit	✓
Hung Tao	✓
Li Weiqi *(Note 1)*	✓
Jin Qiang *(Note 2)*	✓
Zhi Xiaoye	✓
Lim Siang Kai	✓
Wee Piew	✓
Ma Arthur On-hing	✓
Pang Siu Yin	✓

Notes:

(1) Resigned on 27 September 2019.

(2) Appointed on 27 September 2019.

BOARD COMMITTEES

Nomination Committee

The members of the Nomination Committee ("NC") are as follows:

Mr. Ma Arthur On-hing	*(Chairman)*
Mr. Wee Piew	*(Member)*
Mr. Lim Siang Kai	*(Member)*
Mr. Cheng Ming Kit	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The NC is currently made up of four independent non-executive Directors and one executive Director and chaired by an independent non-executive Director. 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. 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 annually 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.

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

Nomination Procedures

Appointment of New Director

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 Director 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 the Year, Mr. Jin Qiang was appointed to replace Mr. Li Weiqi as an executive Director.

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.

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 reviewed the board diversity policy to ensure its effectiveness and considered that the Group has achieved the objectives of the board diversity policy during the Year.

The NC chairman is not, and is not directly associated with, a substantial shareholder with interest of 10% or more in the voting rights of the Company.

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 shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only 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") comprises the following Directors:

Mr. Ma Arthur On-hing	*(Chairman)*
Mr. Lim Siang Kai	*(Member)*
Mr. Wee Piew	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The RC is made up of entirely 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 the Year, one meeting of the RC was held to review the Directors' fees and remuneration of the executive Directors. 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, options 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, that is 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 Company's share option scheme (the "Scheme") was put in place on 26 May 2011. No share options have been granted during the Year pursuant to the Scheme.

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 or the Company 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 the Year under review are set out in note 9 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 for both years.

Audit Committee

The Audit Committee ("AC") comprises the following Directors:

Mr. Lim Siang Kai	*(Chairman)*
Mr. Wee Piew	*(Member)*
Mr. Ma Arthur On-hing	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The AC comprises entirely 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. Three members have accounting or related financial management expertise and experience.

The external and internal auditors have full access to the AC. The Company has put in place a whistle-blowing framework where employees of the Group may raise concerns about possible improprieties in matters of financial reporting, risk management and internal control or other matters in confidence to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution. 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 the Year, the AC met twice with the external auditors. The AC has undertaken a review of all non-audit services provided by the external auditors for the Year, 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 the Year and in the course of review of the Group's half-yearly and annual results included consideration of the following matters:

- the integrity and accuracy of the 2019 annual financial statements to ensure that the information presents a true and balanced assessment of the financial position of the Group;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- the Group's financial and accounting policies and practices;
- 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;
- 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;
- the audit fees payable to external auditors and the scope and timetable of the audit for the Year;
- discussion with auditor for financial results and financial position of the Group for the Year; and
- recommendations to the Board, for the approval by shareholders, for the reappointment/appointment of the external auditors.

Auditors' Remuneration

For the year ended 31 December 2019, audit services and non-audit services provided to the Group and the amounts of remuneration paid and payable in connection therewith are as follows:

	HK$'000
Annual audit services provided by Mazars CPA Limited	2,400
Non-audit services provided by Deloitte Touche Tohmatsu	1,175
Non-audit services provided by other auditors	858
	4,433

Corporate Governance Functions

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

- to develop and review the Company's corporate governance policies and practices;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices in relation to compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct applicable to the Directors and employees of the Group; and
- 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 the Year set out on pages 109 to 229 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 and financial controller 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.

The Board has put in place risk management and internal control systems which enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks. This includes safeguarding assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed.

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 Company has engaged an independent professional firm to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the Year. The Board and the Audit Committee acknowledge that they have reviewed the effectiveness of the risk management and internal control systems of the Group for the Year.

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 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 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.

DEALINGS IN SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. In particular, the Directors and officers of the Company may not deal in the Company's securities 30 days and 60 days before the announcements of the Company's half year and full year financial results respectively.

The Company has confirmed with the Directors that they had complied with the required standard as set out in the CG Code and the Model Code throughout the Year.

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 the Year which fall under Chapter 14A of the Listing Rules are set out in note 36 to the consolidated financial statements.

COMPANY SECRETARY

Mr. Ko Chi Ho ("Mr. Ko") was appointed as company secretary to replace Mr. Siew Chun Fai on 14 January 2020. The biography of Mr. Ko is set out in the section headed "Biographies of Directors and Senior Management". Mr. Ko has taken no less than 15 hours of relevant professional training during the Year.

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 SEHK'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.

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, the co-chairmen of the Board, were unable to attend the annual general meeting of the Company held on 12 June 2019 due to their other business commitments.

SHAREHOLDERS' RIGHTS

(i) Shareholders to convene a Special General Meeting

Pursuant to Bye-law 57 of the Bye-laws of the Company, 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.

(ii) 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 Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business. 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.

(iii) 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 principal place of business of the Company in Hong Kong or by email for the attention of the company secretary or the Investor Relations of the Company.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the Year.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (this "Report") summarizes the initiatives, plans and performances of Beijing Gas Blue Sky Holdings Limited (the "Company") and its subsidiaries (the "Group", "Beijing Gas Blue Sky" or "we") in the environmental, social and governance (the "ESG") aspects, and demonstrates its commitments in the sustainable development.

The Group's major business in natural gas includes (i) natural gas refuelling station; (ii) trading and distribution of natural gas; (iii) city gas, value-added service and others; and (iv) pipeline construction fee. The Group proactively expands its business development and layout, and gets involved in the development of the entire industry chain in natural gas industry in all aspects.

The Group issues ESG report every year and this is the fourth ESG report published by the Group. The ESG report for the year ended 31 December 2018 (the "Year 2018") has been published in April 2019.

The Group believes that environmental protection, low carbon, conservation of resources and sustainable development are the general trends of society. In order to ride the waves in the general trends and pursue a successful and sustainable business model, the Group recognizes the importance of integrating ESG concepts into its risk management system and will take corresponding measures from daily operations and governance.

REPORTING PERIOD

This Report details the Group's activities, challenges and measures taken in the ESG aspects for the year ended 31 December 2019 (the "reporting period", the "Year" or "Year 2019").

SCOPE OF REPORT

Beijing Gas Blue Sky is an integrated natural gas distributor and operator in Mainland China. Unless otherwise stated, this Report focuses on its operations in the downstream segment of the natural gas industry chain, covering operations of the business segments of natural gas refuelling stations, trading and distribution of natural gas, city gas, value-added service and others, and pipeline construction fee. The Group takes into account the gas sales volume of the segments in determining the scope of this Report. Compared with the ESG report for Year 2018, apart from the Group's natural gas refuelling stations of Haikou Xinyuan project in Hainan Province ("Hainan Xinyuan"), office of the Anhui Power Energy in Anhui Province ("Anhui Power Energy"), and the Jilin Songyuan natural gas project in Jilin Province ("Jilin Songyuan"), the scope of this Report is expanded to cover the environmental and social performance of the trading and distribution project in Huzhou, Zhejiang ("Zhejiang Huzhou").

Unless specifically stated, the Group obtains key performance indicators ("KPIs") in the ESG aspects through operational control mechanisms. The Group will continuously assess the major ESG aspects of different businesses or major subsidiaries to determine whether they need to be included in the ESG report.

REPORTING STANDARDS

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") as set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and adopts four reporting principles, including Materiality, Quantitative, Balance and Consistency, as the basis of preparation of this Report. To give stakeholders a more comprehensive picture of the Group's ESG performance, this Report not only discloses the environmental KPIs in compliance with the "comply or explain" provisions, but also reports certain social KPIs in the "Recommended Disclosures" section of the Reporting Guide.

This Report also makes reference to the Global Reporting Initiative (GRI) Standards published in 2016 for the preparation of its ESG report to better respond to the expectations of investors and other stakeholders regarding the Group's ESG information disclosure. For details about referenced GRI indicators, please refer to the "GRI Content Index".

Information relating to the corporate governance practices and structure is contained in pages 22 to 39 of the annual report 2019. This Report has undergone the internal review procedures of the Group and has been reviewed by the Board of Directors ("the Board").

FEEDBACKS

The opinions and advices from stakeholders would help the Group to establish a more comprehensive and sound sustainability strategy. We look forward to any opinions and suggestions from stakeholders. If you have any inquiries or recommendations in regard to the content or reporting format of this Report, you are welcome to contact us through ir@bgbluesky.com.

MESSAGE FROM THE CHAIRMAN

On behalf of the Group, I am pleased to announce the fourth ESG report for the year ended 31 December 2019, and to review the sustainable development performances of the Group in corporate governance, environmental protection, employee care, service quality and community participation during the Year.

To mitigate climate change, the international community has taken a proactive stance to promote the development of clean energies, aiming at gradually phasing out fossil fuels. As a global leader in tackling climate change, China has played an important role in promoting low-carbon energy system, so as to minimize the impact on the environment. Compared with other traditional fossil fuels, natural gas produces less CO_2 and is more efficient and safer. To promote sustainable development, the Group will take into account the climate change, promotion of clean energy, safe and green operation, in formulating its policies. It will keep abreast of any market and policy changes, actively expand the development and layout of the natural gas business, to reduce national carbon emissions and air pollution issues and to emphasize the importance of sustainable development.

Faced with understanding and expectation of the society on environmental and social issues, the Group understands that its long-term sustainable development and comprehensive risk management can be conducive to the development of the Group. Thus, the Group has always been valuing the communication with stakeholders, and has engaged a sustainability consultant to conduct a stakeholder questionnaire survey to identify material topics through substantive analysis during the Year. Discussion about these topics will form a key part of this Report. By understanding the needs and expectation of stakeholders, we can further identify the risks and opportunities associated with sustainable development and adjust the policies accordingly. We can explore appropriate operational ways so that we could assume social responsibility while pursuing economic development.

As a natural gas company, we understand the concerns of stakeholders on the potential safety of the natural gas business, and ensure safe operation through the establishment of a safety committee, implementation of safety management responsibility systems, as well as standardizing systems for investigation of potential hazards and emergency management. We have always attached great importance to talent management. While pursing economic growth, we also take good care of our employees, by providing them with proper training and a high-quality working environment, so as to meet their needs and increase their sense of belonging.

With regard to social development, the Group attaches great importance to environmental protection, and is committed to saving energy, improving energy efficiency, and reducing gas emissions to transform our economy into a low-carbon one. To achieve sustainable development, we will make further efforts to safeguard operational safety, support employees' development and promote green development, so as to create long-term value shared with stakeholders.

In the year ahead, we will adjust our sustainable development strategy to further improve operational efficiency and governance level, and communicate the sustainable development goals to our employees. In accordance with standards established by international institutions, the Group will identify the relevant stakeholders and formulate long-term communication strategies to enhance communication and exchange with stakeholders. The Group will continue to move forward, making greater contributions and efforts to promote sustainable development and to build a better future.

Finally, on behalf of the Board and the management of the Company, we would like to express our sincere gratitude to all employees, business partners and customers for their strong support in previous years. The Group will continue to move forward, making greater contributions to the sustainable development of natural gas business in China.

Beijing Gas Blue Sky Holdings Limited

Co-chairman
Zhi Xiaoye

Co-chairman and Chief Executive Officer
Cheng Ming Kit

ABOUT BEIJING GAS BLUE SKY

Beijing Gas Blue Sky proactively expands its business and explores investment opportunities in industrial chain of natural gas. Since 2016, the Group has been exerting efforts to make investment and expand the geographical layout of its business to cover 17 provinces in the PRC, including those coastal provinces with strong LNG/CNG distribution capabilities through growing LNG/CNG transportation team and end-user network layouts. Along with the continuous improvement of infrastructure in the Mainland China and the efforts made by the central government to promote a clean environment, the demand for natural gas has grown rapidly, from which the Group is able to continually seek investment and cooperation opportunities in the Mainland China. The Group has a strong sense of mission for the industry. It proactively participates in industry summits and seminars, provides technical and application support to promote the development of the industry, and is committed to bringing systematic practices to the industry.

Headquartered in Hong Kong, the Group's natural gas projects covered 17 provinces, cities and autonomous regions in the PRC, including Liaoning Province, Jilin Province, Hebei Province, Beijing City, Shandong Province, Shanxi Province, Shaanxi Province, Ningxia Autonomous Region, Shanghai City, Jiangsu Province, Anhui Province, Zhejiang Province, Guizhou Province, Hubei Province, Guangdong Province, Guangxi Province and Hainan Province. The equity structures and other capital formation, maintenance and business have not changed; the supplier's location, supply chain structure and relationship with the supplier have not changed compared with the previous years.

Corporate Philosophy

Bearing the building of a sustainable environment and a harmonious society in mind, the Group has expanded rapidly, with its businesses now covering Northeast, East, Southwest, and South China. Aspiring to become a world-class one-stop natural gas service provider, the Group adheres to its corporate mission of "developing clean energy, enhancing customer value, and creating a beautiful blue sky", and is committed to the distribution and operation of the entire natural gas industry chain. Relying on its diversified gas sources and low cost advantages, the Group is also continuing to expand the end-user market and to promote the comprehensive utilization of clean energy (primarily the natural gas).

In the course of its operations, the Group upholds the following business philosophies and values:

Operational Philosophy	*Management Philosophy*	*Service Philosophy*	*Safety Philosophy*
In search of integration of economic, social and environmental benefits	**Care for employees, business-focused, standard, efficient and result-oriented**	**Provide wholehearted services, and win customers with professional expertise, warmth and passion**	**Focus on details from inception to ensure a high degree of safety**

Future Prospects

During the global energy transformation process, natural gas plays a key role in reshaping the energy layout and realizing a clean energy structure. Natural gas is also the most practical energy alternative that China can avail of to improve the environment.

The development of natural gas industries has become the best option for the countries around the world to improve the environment and promote sustainable development of the economy. China is actively promoting the construction of a resource-saving and environment-friendly society. Promoting the development of natural gas market and providing customers with safe and stable clean energy is the responsibility and mission of Beijing Gas Blue Sky.

We will seize the opportunities brought by China's economic development and energy structure adjustment. As an international investment and financing platform for Beijing Gas Blue Sky, and combined with the Group's industry resources and capital advantages, we will continue to develop potential projects in the region, actively expand the market, and create a complete value chain and a characteristic industrial chain. We are ready to work with peer companies to embrace leapfrog development.

SUSTAINABLE DEVELOPMENT GOVERNANCE

Corporate Governance

The Board has the responsibility to lead and supervise the Group, and to manage and oversee the matters of the Group in a unified manner, which includes steering the corporate in grasping opportunities and coping with risks arising from sustainable development. The Board is committed to maintaining high-level corporate governance, and believes that good corporate governance practices could effectively guide Beijing Gas Blue Sky to establish and achieve long-term strategy and goals.

The content of sustainable development covers various areas of the Group's operations. To effectively incorporate the sustainability concept into our operations, the Board considered establishing an ESG committee with terms of reference in due course, to define its limits of authorities, work scope and resources. Members of the committee will comprise the senior management from each core business, which could facilitate the further formulation and implementation of the Group's strategies, goals and practices in labour management, product responsibility, environmental protection and community investment.

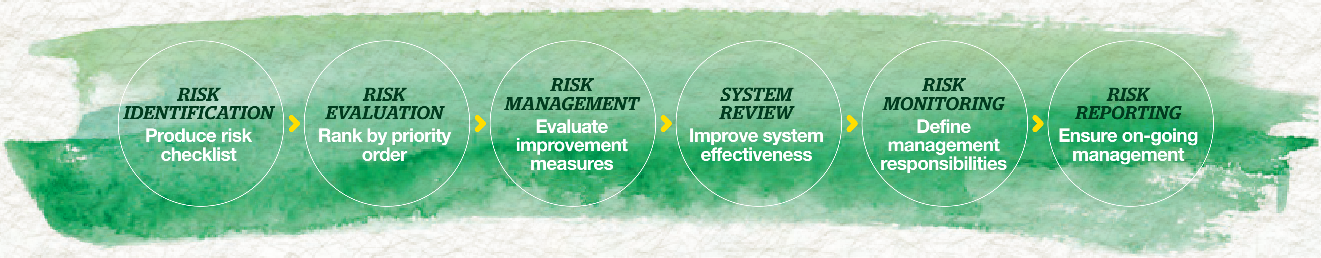
The corporate governance practices of the Group and the attendance rate of directors' meeting are listed in the Corporate Governance Report on pages 22 to 39.

ESG Management Structure

The Group has assigned designated management team which is responsible for collecting information in the ESG aspects for preparation of this Report. The designated management team reports to the Board on a periodic basis, and assists in identifying and assessing the Group's ESG risks and assessing the effectiveness of the internal control mechanism. It also examines and assesses our performances in environment, safe production, labour standards and product responsibilities from the ESG aspects. The Board will determine the overall direction of the Group's ESG strategies and ensure the effectiveness of risk control and internal control mechanism in the ESG aspects.

Risk Management

As far as Beijing Gas Blue Sky is concerned, risk management is an essential part of daily management process and good corporate governance. The Group has established risk management and internal control systems, while the Board is responsible for overseeing the systems on an ongoing basis and reviewing their effectiveness. The Board is responsible for evaluating and determining the factors and extent of risks the Group is willing to take and reviewing related measures for risk control. The management regularly reviews and updates operational control of key business processes to ensure their sufficient and effective implementation. In addition, risk owners across the Group are required to report the risk review exercises regularly, including the risk description, change of risk, risk level and the corresponding risk control measures.



Through effective risk management and internal control systems, the Board identifies the material risks of the Group, including the ESG-related risks such as product safety and has provided countermeasures. Beijing Gas Blue Sky is aware that its existing risk management and internal control systems do not fully cover sustainable development topics. In the future, the Group will cover the potential environmental and social topics, so that it could identify risks and work out countermeasures in a timely manner.

STAKEHOLDER ENGAGEMENT

Stakeholders (refer to the groups and individuals with significant influence on or affected by its business) are closely linked with the sustainable development of the Group, and play an essential role in establishing ESG management system and its decision making process. Beijing Gas Blue Sky expects to listen to the voices of different stakeholders so that it can assess the effects of its ESG decision making and internal control mechanisms and accordingly adjust the direction of development, as well as truly understand, comprehensively take into account and promptly respond to their concerns.

The Group communicates with major stakeholders, including but not limited to its senior management and the Board, employees, customers, investors and shareholders, suppliers, community groups, and regulators, through various channels to well understand their views and expectations, with a view to continuously improving the Group's operation. The Group communicates with its major stakeholders in the following channels:

Major Stakeholders	Key Subjects and Issues Raised	Communication Channels	Communication Frequency
Senior management and the Board	• Compliance operation • Economic performance • Corporate management	Board meetings	Periodic
		Daily communication and reporting	Periodic
		Various seminars and forums	Periodic
Employees	• Protection of employees' rights and interests • Health and safety of employees • Development and training of employees • Compliance operation • Safety management	Performance appraisal	Periodic
		"Blue Sky" journal	Periodic
		Various seminars and training sessions	Periodic
		Team sharing sessions	Periodic

Major Stakeholders	Key Subjects and Issues Raised	Communication Channels	Communication Frequency
Customers	• Protection of customers' rights and interests • Protection of customers' privacy • Provision of high quality products and services • Responsible marketing • Protection of intellectual property • Compliance operation	After-sales visit	Periodic
		Satisfaction survey	Periodic
		Websites	Year-round
		Customer service hotline	Year-round
Investors and shareholders	• Economic performance • Operational prospects	Annual general meeting	Periodic
		Financial report	Periodic
		Announcements and circulars	Periodic
Suppliers	• Fair and public purchases • Sustainable development of supply chain	On-site visit to suppliers' plants to conduct an investigation, spot check and evaluation	Periodic
		Supplier management meetings and activities	Periodic
		On-site audit of management system of supplier	Periodic
Community groups	• Corporate social responsibility • Green operation	Volunteer activities	Periodic
		Serving the community	Periodic
Regulators	• Compliance operation • Green operation	Participating in improvement programs organized by the industry and local government regulators	Periodic
		Participating in new technology application plans	Year-round

In developing operational strategies and ESG related measures, the Group considers the expectations of its stakeholders and attempts to improve its performance and to create greater value for the society based on mutual cooperation.

MATERIALITY ASSESSMENT

In order to formulate sustainable development strategies and approaches by understanding the areas of stakeholder's concerns and identifying the topics which are or will be critical to its business, Beijing Gas Blue Sky engaged an independent sustainability consultant to conduct stakeholder communication and annual materiality assessment, the detailed procedures are as follows:

Identifying the relevant topics

- With the assistance of the consultant, Beijing Gas Blue Sky, based on the Group's business development and results of the materiality assessment in Year 2018, identified and determined the list of ESG topics for Year 2019; and
- The list identified 23 topics with relatively higher impact on economy, environment and society and on assessment of stakeholders, covering four major scopes, namely "environmental protection", "employment and labour practices", "operating practices" and "community investment".

Collecting stakeholder's feedback

- Taking the topics covered in the list as the core for materiality assessment, the Group designed and issued questionnaires at an online platform to request stakeholders to rate the sustainability topics according to the level of importance of such topics to them and their environmental and social impact; and
- This assessment covers major stakeholders, including but not limited to employees and management. The Group received 394 valid feedbacks in total.

Identifying material topics

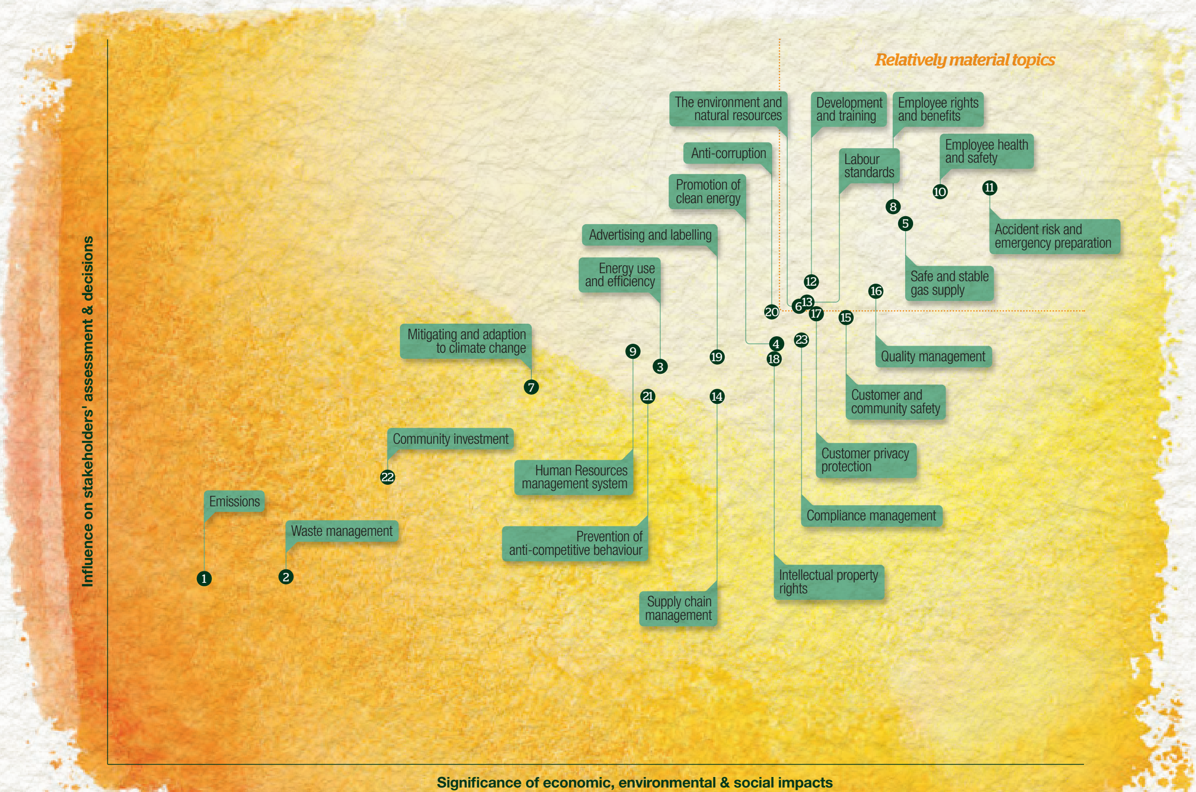
- Based on the results of the questionnaire, the Group assessed important areas for 23 topics, and prepared the materiality matrix for Year 2019; and
- The Group reviewed opinions of stakeholders and results of materiality assessment, and discussed with the management and determined key points to be disclosed in this Report and key areas to improve in ESG performance in the future.

Verification

- The materiality matrix was reviewed by the management of Beijing Gas Blue Sky.

The Group's ESG-related materiality matrix during the reporting period is shown as follows:

Materiality Matrix of Beijing Gas Blue Sky Holdings Limited



Based on the results of materiality assessment, the Group is aware that the ESG-related topics that the stakeholders concern most are:

Relatively material ESG topics	
Accident risk and emergency preparation	Employee health and safety
Safe and stable gas supply	Quality management
The environment and natural resources	Customer privacy protection
Customer and community safety	Employee rights and benefits
Development and training	Labour standards
Anti-corruption	

During the reporting period, the Group confirmed that it has established appropriate and effective management policies and internal control systems in connection with ESG-related issues, and that the disclosures met the requirements of the Reporting Guide.

PROVIDING SAFE AND QUALITY SERVICE

The Group has a relatively diversified customer base, including vehicles using CNG or LNG, industrial and commercial users, urban residents and other downstream and end users. Therefore, apart from providing stable gas supply, it is our duty to provide complete, authentic, reliable and high quality products and services.

The Group complies with the laws and regulations of health and safety, advertising, labelling and privacy matters relating to products and services provided, including but not limited to the Law of the People's Republic of China on Work Safety, Patent Law of the People's Republic of China, the Advertising Law of the People's Republic of China and Law of the People's Republic of China on the Protection of Consumer Rights and Interests. During the reporting period, there was no violation by the Group involving health and safety, advertising, labelling and privacy matters which has significant effect on the operation of the Group relating to products and services provided.

Accident Risk and Emergency Preparation

The Group attaches great importance to the health and safety impacts and related risks of its services and products to customers and communities, and is committed to preventing and reducing emergencies. The Group has specifically prepared the Emergency Management Guidelines for various high-risk safety accidents, such as leakage of gas, fires, explosions, and poisoning and suffocation, so as to deal with major accidents arising from production and operation, and effectively control and properly handle related issues, thereby minimizing the loss caused to the Group. To respond to emergency events, the Group has also set up an Emergency Command Office to guide the emergency work and handle related issues. We will also commence risk assessment on all possible major events so as to eliminate potential hazards. The Group will conduct appropriate drills based on the emergency plan to simulate an actual emergency when needed, with a view to improving the Emergency Command Office's capability and efficiency in handling safety accidents.

For disclosure of health and safety of employees, please refer to "Employee Health and Safety" section.

Safe and Stable Gas Supply

To minimize the adverse impact or risks brought about by equipment to the product quality, we have formulated the Equipment Management Rules in accordance with national laws, which set out requirements on equipment operation for operators to strengthen equipment management and maintenance. The project companies are responsible for daily and regular maintenance of various equipment, formulating maintenance systems and overseeing the implementation of such systems.

Quality Management

The Group attaches much importance to the provision of high-quality service to its customers. Therefore, we have put in place procedures for service quality inspection and responding to customer complaints, striving for excellence in customer service.

In order to improve the product quality and work efficiency, the Group has formulated the On-site Inspection Management Measures, setting out mechanisms and procedures for on-site inspection to examine the implementation of standards and specifications and the mastering of service skills by the service personnel, as well as the information on the service documents and equipment and environment of the operation premises. The inspection covers not only the service provided by the Group and its member companies, but also that provided by its outsourcing third parties. After the inspection, the inspection personnel shall provide a complete inspection report and propose improvements to the problems discovered, so that entities subject to inspection could make improvements and enhance customer service quality as required.

In addition, for the purpose of further strengthening product quality supervision and management, the Group has also formulated the Service Quality Supervision and Management Methods, whereby our Operation Management Department shall provide leadership and supervision on each entity of the Company so that they could provide up-to-standard and reasonably priced services in a proper manner.

Customer and Community Safety

As a natural gas company, apart from providing good quality products, the Group is also committed to product safety management for the sake of security of its customers and communities. Subject to the Emergency Management Guidelines, the Group has formulated a series of guidelines in response to safety accidents, so that the Group can effectively control, mitigate and eliminate effects of such accidents on the safety of its customers and communities and safeguard the stability of society.

To improve product safety and service quality, the Group has established the Management Measures for Customer Complaints to standardize the complaints addressing process. Customers may lodge a complaint about our products, marketing, services or prices via phone calls or the website of the Group. The employee or department receiving the complaint shall record the complaint in detail and on the same day report to the Complaint Management Department, so that the relevant department could make timely investigation and reply, implement the countermeasures and improve customer satisfaction. During the reporting period, the Group did not receive any major complaints about our products or services.

Customer Privacy Protection

To improve product and service quality, the Group has put relevant platforms in place, such as website and telephone inquiry, to maintain good relationships with customers and business partners. The Group attaches great importance to customer privacy and complies with relevant confidentiality policies. The Group specifies in its Staff Manual and Code of Conduct for Employees the responsibilities of employees for information confidentiality. All employees are required to properly report the written and electronic archives about customers and suppliers and not to disclose them without the consent of the Group. In line with the increasing digitalization trend, the Group will adopt IT security policies in the future to complement its smart gas management, further protect data security and enhance the security and stability of its IT systems.

Advertising and Labelling

The Group understands its responsibility in advertising and product labelling and has formulated the Advertising Marketing Management Measures to ensure all advertising and promotion activities and the related materials would be approved and the systems, tools, rules and methods relating to advertising and promotion could be properly implemented.

BUILD A DESIRABLE WORKING ENVIRONMENT

Employee Health and Safety

As a natural gas enterprise, the Group always places the health and safety of its employees at the top of the list. In accordance with the requirements of the Law of the People's Republic of China on Work Safety, Fire Control Law of the People's Republic of China and other relevant laws and regulations, and based on the actual condition of the Group, we have formulated various guidelines as norms, such as safety management guidelines, education and training management guidelines. With regard to safety education and training of engineering staff of specific projects, the Group attaches great importance and ensures that all staff are familiar with the technical characteristics required to operate relevant equipment; we vigorously implement safety rules and procedures to ensure compliance throughout the entire operational process and therefore provide a safe working environment for our employees. To ensure safe and quality energy supply, the Group keeps improving its management systems and optimizing its policies and practices, with a view to creating a safe operation and production environment and providing stable and quality products and services.

The Group strictly complies with the Law of the People's Republic of China on Work Safety, Fire Control Law of the People's Republic of China and other relevant laws and regulations. During the reporting period, there was no violation of health and safety laws and regulations by the Group which has significant effect on the operation of the Group.

	Gender	Number	Total	Percentage of total employees	Lost days due to work injury
Work-related fatalities and/ or injuries (by gender)	Male	1	1	0.3%	100
	Female	–			

Safety Management Systems

In order to ensure safe production and the safety and health of employees, the Group has formulated and implemented a series of safety management systems, including the Production Safety Responsibility System, the Gas Refuelling/Gasification Stations Safety Management Guidelines as well as the Emergency Management Guidelines. The Group has also established the Production Safety Committee, which shall implement the policies, laws, regulations, industry standards and corporate rules and regulations related to production safety, divide the safety work process at each functional department, clarify the production safety responsibilities of employees, departments and units at all levels, and promote production safety responsibility system to curb various safety accidents. Each of our project companies also established their respective project safety committee to work together with the Group's Production Safety Committee.

The Group's Gas Refuelling/Gasification Stations Safety Management Guidelines provide clear guidance to the roles and duties of the Production Safety Committee, project companies and functional departments, the chief executive officer, regional heads, project managers and employees in maintaining the safety of refuelling and gasification stations. In addition, the Group standardizes procedures for the management of hazardous operations, investigates and treats the potential accidents, and arrange the study of safety laws and regulations, so as to eliminate the safety risks. In case of a safety accident, the Safety Inspection Department will be responsible for discovering the causes of accident and verifying work injury in accordance with the investigation procedures, and proposing improvement measures to prevent reoccurrence of similar accidents.

Safety Protection Measures

i. ***Equipment management***

In respect of infrastructures that may be required during operational process, the Group has formulated the Equipment Management Rules in accordance with national standards such as the Safety Technical Specification for Operation, Maintenance and Rush-repair of City Gas Facilities and the Regulations on Periodical Inspection of Pressure Pipelines, to standardize management methods and set out the management responsibilities of different departments and provide clear guidance to employees in respect of the whole management process covering equipment procurement, installation, use, inspection, repair and retrofit, which enhances the safety and reliability of equipment in operation.

Apart from routine inspections, the Group requires its employees to conduct annual inspections of the operation of major equipment, such as pressure vessels, high-pressure pipelines and valve chambers. With regard to the station equipment, the Group requires daily, weekly, monthly and quarterly inspection to discover the potential hazards in a timely manner and avoid any harmful impact on the safety and environment in the vicinity. The department using the equipment at the project company is responsible for preparing and implementing the inspection plan, dealing with any problems discovered and reporting the problems and processing conditions to the Production Department.

ii. Safety inspection

The Group adheres to the principle of "safety first, prevention as priority". Apart from the safety inspection and management for equipment, the Group also conducts regular inspection against any potential risks in many aspects such as management, plant construction, safety devices and working environment, records the inspection results and monitors the rectifications. For any parts that are missed, we would perform a review on them. The Group carried out daily inspection on gas pipelines and designed a seasonal inspection plan to identify the risk factors specific to different seasons after considering the local seasonality. For instance, the inspection will focus on the prevention of flood, thunder and electric shock in rainy summer, while it will focus on prevention of fire, explosion and freeze in cold and dry winter.

iii. Safety training

The Group understands the importance of employee's safe operation and safety awareness to the safety of its natural gas operations. To strengthen the internal safety culture within the Group, and in accordance with the Guidelines on Safety Education and Training Management, we will provide comprehensive training to employees so that they become clearly aware of operation procedures. By doing so, we could reduce safety accidents and enhance the safety awareness of employees. The training covers safety regulations, the standardized use of equipment, and safety technical knowledge such as anti-fire, anti-explosion and anti-poisoning. After completing the training, an employee is required to pass the relevant assessment to ensure he/she has fully mastered the safety technical knowledge for the post, avoid any accident due to operation error and minimize the risk of personal injury. The Group also provides the dedicated safety staff with special training on safety management techniques.

In addition, all new employees are required to receive "three-level" safety education and pass the examination before they could take up their positions.

Level 1 safety education
(not less than 48 hours)

- Production safety rules, regulations, standards and laws promulgated by the government
- Introduction of the Group's characteristics
- Basic requirements of production safety
- Anti-fire, anti-explosion and anti-poisoning knowledge and general first-aid knowledge

Level 2 safety education
(not less than 36 hours)

- Characteristics of the production and construction of his/her department
- Safety technical specifications and production safety rules of the department
- Correct use of fire equipments frequently used by the department

Level 3 safety education
(not less than 24 hours)

- Position safety procedures
- Post accident cases
- Measures to prevent disaster accidents
- Safety fixtures and instruments
- How to use personal protective equipment

iv. ***Safety education***

To protect the public safety, the Group regularly arranges professional personnel to conduct an on-site safety inspection on the pipelines and relevant equipment of its users, including household users, industrial and commercial sector users and service sector users. The Group completed safety inspections for a total of 165,866 residential household users in Jilin Songyuan during the Year.

The Group also publicizes general safety knowledge to its users through media, internet and daily papers, with an aim to reduce the risk of safety accidents due to their improper operation.

To respond to threats brought about by gas leakage ratio on safe operation, the Group has established a management team to coordinate the control of pipe network leakage, improve measurement accuracy, strengthen the gas meter record, prevent and reduce gas stealing and leakage and so on. In order to further protect the economic and security interests of both users and the Group, the Group adjusted the team structure with the executive director or vice president of the Group as the team leader, and incorporated the business leaders of each project company into the organizational structure to improve the execution of the work. Meanwhile, the Group required each project company to establish gas leakage control plan and objective, stipulating the responsibilities of each responsible person, the time of completing the task, and management methods of performance appraisal, to ensure the timely and high-quality implementation of various measures, and achieve our goal of reducing the gas leakage ratio to 4% eventually.

Safety Accident Management

In response to safety accidents, the Group strictly complies with the Emergency Management Guidelines, and has improved its contingency plan and formulated detailed emergency handling process against the possible emergencies during its production and operation such as gas leakage, fire disaster, explosion, intoxication and suffocation. The Group has also set up the On-site Emergency Command Office to centrally command and coordinate the work against emergencies, and to record the accidents, evaluate the handling process and propose future improvement plans.

In daily operation, each project company actively conducts emergency publicity, education, training, drill and evaluation to enhance the employee's capability in handling emergencies.

TOPIC: STRENGTHEN SAFETY MANAGEMENT OF PIPELINE NETWORK

The city gas business in Jilin Songyuan relies on a network of gas pipelines to deliver natural gas to users. In order to ensure the safety of gas supply to customers and the community, Jilin Songyuan has taken strict safety measures to strengthen the safe construction, monitoring and warning, inspection and maintenances as well as emergency rescue of the pipeline network.

Safety Management Scope	Measures
SAFETY CONSTRUCTION	• Establish the Guide for Safe Operation of Gas Engineering Construction to specify the safety requirements for the contractors' construction in using electricity, fire and welding, as well as high and lifting work; • Each construction unit is required to conduct assessment according to the specific construction environment, and formulate corresponding safety measures, accident reporting system as well as emergency response plan; and • Each Engineering and Safety Department personnel and contractor's management personnel is required to conduct weekly safety inspections, to rectify safety hazards timely and ensure construction safety.
SAFETY TECHNOLOGIES	• Introduce a smart pipeline network technology system to strengthen real-time monitoring and alarm reminders on pipeline network operations. When the system perceives gas leakage and pipeline vibration, it automatically sends text messages and voice alarms to the responsible person of the pipeline network, to inform the relevant abnormal situation, so that the responsible person can make timely response.

Safety Management Scope	Measures
SAFETY INSPECTIONS	• Comprehensive prevention and protection of potential hazards in the pipeline network through five types of safety inspections; • Comprehensive daily safety inspection: through the monthly inspection by the general manager and weekly inspection by the Safety Department, to conduct safety inspections on-site, and check the use of labour protection equipment as well as employees' behaviours; • Seasonal safety inspection: key inspections based on local seasonal characteristics to prevent seasonal disaster risks; • Holiday safety inspections: check production equipment, fire equipment, backup facilities, emergency plans and relief supplies before the holidays to ensure safe transportation of gas during the holidays; • Professional safety inspection: in-depth inspection of the responsible business under each department organized by the Safety Inspection Center, Production Operation Department, Engineering and Technology Department and other major departments; and • Safety inspections from time to time: conduct safety inspection in case of major changes, such as using new equipment, device modification, revising operation process and accident occurrence.
EMERGENCY RESPONSE	• The Emergency Management System divides emergency events into four types of warning levels for emergency response, to ensure that responsible personnel can deal with the emergencies promptly and effectively to reduce losses; • Establishment of emergency control center, dispatch center and on-site control center for emergency response and management, which are responsible for personnel gathering, pipeline data assistance, operational command, equipment support and events updates; • The accident investigation team will be appointed by the general manager after the accident, which is responsible for investigating the cause of the accident, making suggestions on preventing similar incidents, improving facilities according to the proposed suggestions, and providing training and education for the staff; and • During the daily operations, each department prepares and regularly updates special emergency plans, covering natural disasters, security incidents, insufficient supply, gas leakage, fire and explosions, to provide guidance for emergency response.

Human Resources Management System

Human resources are the cornerstone for long-term development of the Group. By understanding employees' needs and caring for their development, the Group is committed to creating a friendly, equal, healthy and safe working environment for employees. The Group strives to understand the needs of employees, pay attention to employee development and create an amicable, equal, healthy and safe working environment for employees. Employment policies covering recruitment, promotion, working hours, pay and benefits, diversity and equal opportunities are formulated. The Staff Manual is provided to make employees understand their rights and obligations.

The Group stays in strict compliance with relevant laws and regulations such as the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China. During the reporting period, the Group did not have any violation of laws and regulations on human resources which has significant effect on the operation of the Group.

As at 31 December 2019, the Group employed 327 employees, all being full employees, for Hainan Xinyuan, Anhui Power Energy, Jilin Songyuan and Zhejiang Huzhou, including C-level senior management, senior and middle level managers and general employees.

	Place of Operation	Gender	Age below 30	Age 31-50	Age over 50	Total
Number of employees (By region, gender and age)	Hainan Xinyuan	Male	5	38	13	90
		Female	–	31	3	
	Anhui Power Energy	Male	–	2	1	5
		Female	2	–	–	
	Jilin Songyuan	Male	41	84	16	227
		Female	18	67	1	
	Zhejiang Huzhou	Male	1	2	1	5
		Female	1	–	–	

	Place of Operation	Gender	C-level senior management	Senior level managers	Middle level managers	General employees	Total
Number of employees (By region, gender and position)	Hainan Xinyuan	Male	–	2	14	40	90
		Female	–	1	8	25	
	Anhui Power Energy	Male	–	–	–	3	5
		Female	–	–	–	2	
	Jilin Songyuan	Male	5	11	11	114	227
		Female	–	–	3	83	
	Zhejiang Huzhou	Male	–	–	–	4	5
		Female	–	–	–	1	

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total	Rate of new employees
Number of new employees (By region, gender and age)	Hainan Xinyuan	Male	–	1	–	1	8.56%
		Female	–	–	–		
	Anhui Power Energy	Male	–	1	–	1	
		Female	–	–	–		
	Jilin Songyuan	Male	7	11	–	26	
		Female	2	6	–		
	Zhejiang Huzhou	Male	–	–	–	–	
		Female	–	–	–		

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total	Rate of employee turnover
Employee turnover (By region, gender and age)	Hainan Xinyuan	Male	1	–	–	1	10.70%
		Female	–	–	–		
	Anhui Power Energy	Male	1	–	–	1	
		Female	–	–	–		
	Jilin Songyuan	Male	5	20	1	33	
		Female	3	4	–		
	Zhejiang Huzhou	Male	–	–	–	–	
		Female	–	–	–		

Employee Rights and Benefits

Employees are recruited by the Group following the principles of openness, fairness and impartiality. A comprehensive recruitment management system has been established, detailing recruitment applications and procedures. Recruitment efficiency and quality have been improved to meet the Group's manpower needs and ensure talent quality.

The Staff Manual clearly specifies investigation for disciplinary violations and assessment of punishment. Before applying any disciplinary action to employees, the Group should make in-depth investigation for evidences and allow the employee subject to punishment to defend. Once a decision is made to apply any disciplinary action, the assessor should prepare an investigation report in duplicate, of which one to be provided the employee and the other one to be included in the employee's personnel archive. The Group will never dismiss any employee without a reasonable cause. The dismissal process will only take place on a reasonable basis, and related issues should have been fully communicated before the formal dismissal.

The Remuneration Management System stipulates the detailed management rules for employee's wage, based on which, the project companies formulate their respective clear-cut management rules appropriate to their respective circumstances, informing employees of the basic wage and other subsidies for different posts and rankings. The annual performance bonus is determined and paid in accordance with the Performance Management Rules. Apart from statutory holidays, employees are entitled to paid leaves including marriage leave, maternity leave, compassionate leave, paternity leave and so on, and on traditional festivals such as the Chinese Spring Festival and the Mid-Autumn Festival, the Group provides employees with additional benefits such as festival gifts or cash allowance. We also provide annual medical examinations for employees to make them keep healthy.

The Group has formulated the Promotion Management Measures to standardize the promotion process for employees to strengthen their initiative and enthusiasm for promotion, and ultimately to improve their performance and ability. The Group has also set up a Performance Management Committee, which is responsible for performing performance management and providing guidance. It makes a comprehensive assessment on employees' performance in line with the Performance Management Rules, gives appraisals and suggestions on their past performance in order to improve their work efficiency, support human resources adjustment, and further boost development of the Group.

Communication Channel

Close and open communication with employees is of great importance to the sustainable development of the Group. The Open Dialogue Policy has been formulated to encourage employees to voice their views through formal or informal communication channels, such as dedicated mailboxes for employees' suggestions, satisfaction surveys, communication meetings, training, blogs, WeChat official accounts, and "Beijing Gas Blue Sky" journals. In this way, we can improve business processes, corporate management, policies, etc.

To handle employees' suggestions or complaints in a timely manner, the Group has set up an email box, which is directly managed by the Director of Human Resources Department who makes prompt actions and provides relevant support based on the email content and the situation. In addition to email, employees can also express their opinions to superiors through performance appraisals, or make suggestions and submit solutions through the Group's internal journal Voice of Blue Sky Power and various seminars.

Diversity, Equal Opportunity and Anti-discrimination

The Group has formulated the Diversity Policy for a tolerant and diverse workplace. All employees are treated impartially regardless of their race, gender, sexual orientation, age, socioeconomic status, physical ability, religion, nationality, and political preference to achieve diversified development of the Group and equal treatment of all employees. The Diversity Policy also set out the responsibility of the Board to set measurable indicators relating to diversity and regularly review the performance against such indicators. The measurable indicators include the objectives set by the Group in gender diversity, such as the salary ratio of male to female employees reaches 1:1. During the Year, the Group's ratio was 1.03:1, which is gradually approaching the target value set by the Group. Harassment or discrimination in any way is strictly prohibited to make employees work in a friendly, equal, diverse, and respectful environment. In this way, our corporate culture is kept well.

When suffering from unfair, prejudiced or unreasonable matters, an employee may appeal in writing to his/her head of department, who shall submit the complaint to the Human Resources Department for further investigation. If the problem is not solved in the first stage, the department at a higher level will take it over until the rights of the employee concerned could be protected. The Group will strictly keep all appeals and their contents confidential.

Development and Training

The Group understands that talents play a crucial role to its sustainable development. Training for improving the performance and efficiency of employees is very conducive to the growth of the Group. In line with the Training Management Regulations, the Group regularly organizes training for employees with different ranks and positions to improve the management quality of employees and work efficiency. Training includes new employee training, full-staff training, talent echelon training, department training, and external training. To make employees enhance self-discovery and give full play to their strengths, the Group encourages employees to receive vocational skills training and further education. We are also actively making career planning for our employees and are preparing to carry out academic education and training.

The Training and Development section in the Staff Manual also encourages employees to develop their personal capabilities. The Group will provide employees with appropriate training to improve their performance and support their vocational development. Training and development projects include, but not limited to, training provided internally (orientation training, professional skill training, etc.); training provided by external organizations (training for industry development and technology, and training for integrated management capabilities); open courses (professional courses, training provided by industry associations, etc.); on-the-job training (project seminars, working forums, etc.); and rotational learning.

To more effectively analyze and review the effectiveness of training, the Group established training files and recorded training assessment results, and employees can give their comments on the lecturer, effectiveness and organization by means of questionnaire or written examination to improve training quality and effectiveness.

The Group provides various management improvement training and conducts career planning in four areas (i.e. business market, project, finance and business support) for employees' all-round development. In addition, the Group employs incentive mechanisms to motivate employees to enhance performance and professional competitiveness. In addition, the Group also carries out the construction of talent teams through providing appropriate study routes designed for employees from different departments and ranks, and performing selection and assessment of internal reserve cadres on a regular basis.

During the Year, the Group has carried out 10 live broadcast training, the content of which covered, among others, laws and regulations, duties knowledge and business etiquette, with a total of 324 participants.

Training (By gender and position)	Gender	C-Level senior management	Senior level managers	Middle level managers	General employees	Total	Percentage of employees who received training
Number of employees who received training	Male	5	13	25	161	324	99.08%
	Female	–	1	9	110		
Total hours of training	Male	40	162	1,016	10,480	18,608	
	Female	–	1	201	6,708		
Average hours of training per employee	Male	8	12	41	65	57	
	Female	–	1	22	61		

Labour Standards

Prevention of child and forced labour

The Group undertakes not to use child labour. It strictly complies with relevant laws, administrative regulations and industry requirements for child labour and underage labour. It has formulated the Management Rules on Prohibition of Child Labour and Underage Labour which details employment policies, procedures and remedial measures in this regard, whereby it has effectively prohibited the employment of child labour and protected underage labour. The Group prohibits any labour relations with workers under the age of 16. During recruitment, the Human Resource Department shall strictly check the original identity card and other documents to identify child labour and underage labour, and establish archives of underage labour. During the recruitment, the Group will verify the identity documents of the candidates to avoid any child labour. In case child labour is mistakenly employed, the Group will take remedial measures as required to escort them back to their hometowns for appropriate education, and will be responsible for the medical treatment for the child labour suffering work-related disease, injury or disability.

In addition, in order to prevent forced labour, the Group enters into or makes alterations to labour contracts on the principle of equality and willingness through mutual negotiation, and will never adopt unfair measures to restrict the employment relationship between employees and the Group. The Staff Manual also sets out the management measures for overtime work, whereby employees are entitled to days-in-lieu or overtime pay, which could protect their interests. In addition, the Group is committed to creating a fair and just work environment and prohibits any discrimination based on gender, age, religion, race, social class, birth, social background, disability, etc. In line with the principle of respecting and caring for employees, it is forbidden to force employees to work, deduct employees' wages, apply corporal punishment or mental oppression upon employees, verbally insult employees, or interfere with their freedom of association.

The Group complies with relevant laws and regulations, such as the Labour Law of the People's Republic of China, Provisions of Juvenile Worker Protection and Provision on the Prohibition of Using Child Labour. During the reporting period, the Group did not find any cases of violations of laws and regulations related to the prevention of child or forced labour which has significant effect on the operation of the Group, nor did it find operation centers and suppliers with significant risks of using child labour or forced labour.

FOLLOW A COOPERATIVE AND WIN-WIN BUSINESS PHILOSOPHY

Anti-corruption

Adhering to the principle of integrity and impartiality, the Group is committed to cultivating moral conviction of our employees and strictly prohibits corruption, extortion, bribery, fraud, money laundering and other illegal behaviours or violations of the principles of honesty and trustworthiness in any form, so as to ensure the impartiality, integrity and compliance of the business and working environment. To maintain and promote the anti-corruption and integrity culture, the Group has formulated the Staff Manual, Code of Conduct for Employees and Project Bidding Management System, etc., to strictly regulate employee's behaviours and set out clear provisions regarding receipt of gifts or entertainment, avoidance of conflict of interest, procurement of goods or services and use of the Group's resources. All employees must conduct businesses with the highest level of integrity and cooperate in a fair and honest manner with our customers and their representatives, our suppliers, and other parties involved in the Group's business. The Group prohibits any acts that violate laws or principles of honesty and trustworthiness, including corruption, extortion, bribery, fraud, money laundering, etc.

The Group has established the complaining and whistleblowing mechanism to encourage employees to report any known or suspected corruption or any duty-related illegal conducts to the Group's Human Resources Department, Risk Control Department and the senior manager in charge of the relevant matters. The departments and personnel who accept the complaint or reporting should carefully conduct investigation and keep the complainants and reporters confidential.

To fully assess the corruption-related risks of operating centers, the Group considers conducting risk assessments upon all departments dealing with external parties. It passes all its anti-corruption policies and procedures to members of the governing body. All members of the Group's governing body have received anti-corruption training.

The Group actively motivates leaders and employees at all levels to keep law-abiding, honest, truthful, self-disciplined, and dedicated, promote honesty education, and strictly abides by the Criminal Law of the People's Republic of China and the Anti-corruption Law of the People's Republic of China. During the reporting period, the Group did not find any significant matters in violation of laws and regulations on the prevention of bribery, extortion, fraud and money laundering which has significant effect on the operation of the Group. There was also no concluded legal cases regarding corrupt practices brought against the Group or its employees.

During the reporting period, the total number of confirmed corruption incidents was zero. There were no employees who were dismissed or under disciplinary action due to corruption, nor any confirmed termination or failure of renewal of contracts with business partner due to corruption-related cause.

Supply Chain Management

As an integrated natural gas distributor and operator focusing on the development of mid-to-down stream segment of the natural gas industry chain, Beijing Gas Blue Sky relies on different suppliers for its business development. Therefore, risk management for the supply chain has always been a key part on which the Group attaches importance. The Group promotes and enforces, in an all-round way, the systems for examining the social and environmental qualifications of suppliers, and takes into consideration the relevant risks when assessing and managing supplier's performance. To enhance the ability in securing a stable natural gas supply, the Group endeavours to select the most suitable natural gas suppliers through examining, on a prudent and fair principle, the corporate size, quality of gas source and timeliness of supply.

Keeping close communication with existing suppliers, the Group is devoted to implementing the sustainable development philosophy in the supply chain. The Group has always preferred local procurement during its procurement process. We hope to boost local economic development and contribute to society and the country by purchasing from mainland China as much as possible.

According to our Environmental Protection Management Guidelines, employees responsible for overseeing suppliers are required to be cooperative on the environmental protection work, ensuring there would be appropriate environmental provisions and requirements in the contracts, the goods and services would comply with the Group's environmental policies, and the supplier would comply with the relevant regulations. Apart from environmental compliance that is an important part in supplier evaluation, the Group also evaluates the supplier's performance and commitments in respect of social responsibility. Supplier who underperformed or failed to meet the Group's criteria may be excluded from our future bidding, or may even be subject to an early termination of contracts.

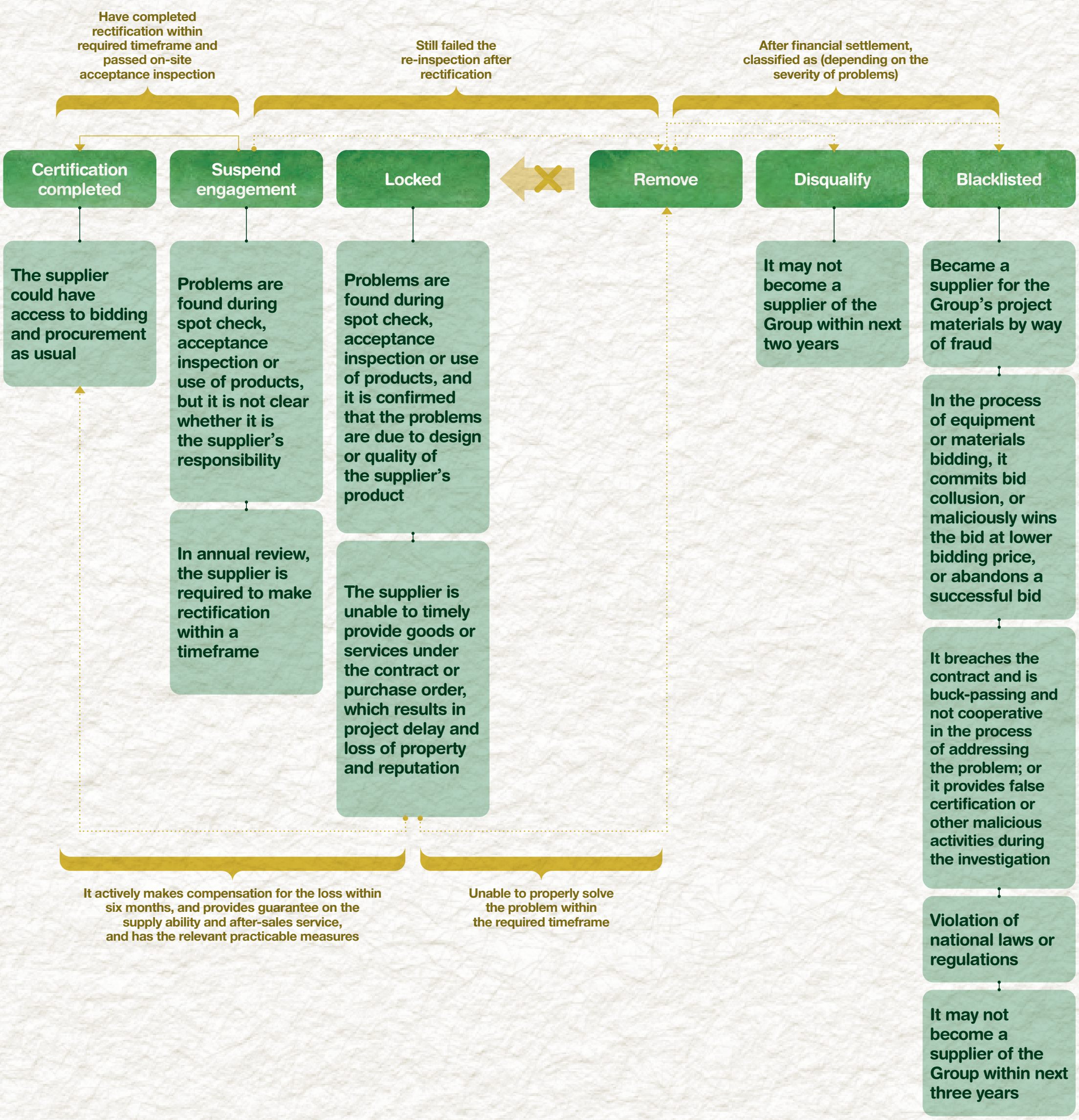
For construction project, the Group implements stringent procurement and bidding policies and has formulated the Project Bidding Management System and the Management System for Suppliers of Project Materials to set out biding requirements and evaluation procedures for admitting suppliers. Tendering methods include open tender, tender by invitation, and tender by negotiation. A potential bidder is not able to pass the review of qualification for the bidding unless it had no violation of laws or regulations relating to environment, labour protection, occupational health and sanitation and was not subject to any complaint about employee's human rights and working conditions, in each case, in recent three years. In addition, the bidding documents are required to include the information on the bidder's use of resources, environmental and ecological protective measures, measures to deal with the "three wasters" and management and implementation systems for employee's working environment.

In addition, the Group has a Bid Evaluation Committee consisting of internal and external experts organized by the Engineering Technology Department of the project company. Bid evaluation experts shall not contact the bidder in private, receive property or other benefits, and disclose the evaluation status. If there is an interest relationship with the work object or content, they shall voluntarily withdraw to maintain the objectivity of bidding. The Group's Engineering Bidding Committee is responsible for formulating bidding procedures, guiding and supervising activities in an open, fair, impartial, and honest manner to prevent illegal interference in tendering and bidding activities and achieve fair competition.

Currently, Hainan Xinyuan, Anhui Power Energy, Jilin Songyuan and Zhejiang Huzhou procure goods or services mainly from 63 suppliers, while each of them has undergone our evaluation and review procedures and satisfy the Group's requirements.

Beijing Gas Blue Sky pays attention to the supervision of suppliers and fairly evaluates the performance of suppliers. According to the feedback, evaluation and sampling of the suppliers' products and services from the project companies, the Group classifies the suppliers into six different states, including "Certification completed", "Suspend engagement", "Locked", "Remove", "Disqualify" and "Blacklisted", and carries out corresponding dynamic management.

The following figure shows the process of supply chain management:



Intellectual Property Rights

To protect our intellectual property rights, the Group has established and improved the intellectual property protection mechanism in accordance with laws and regulations such as the Patent Law of the People's Republic of China and Trademark Law of the People's Republic of China. Such mechanism clearly defines trademark planning, use and protection. Intellectual property rights management can enhance employees' awareness of the Group's trademarks, strengthen the role of intellectual property in operations, and protect corporate interests.

Preventing Anti-competitive Behaviour

The Group upholds corporate responsibility and eliminates any anti-competitive behaviour in daily operations, anti-corruption management and supply chain management. For relevant information, please refer to the sections of "Anti-corruption" and "Supply Chain Management".

BUILD A GREEN FUTURE

With the continuous economic development of China, the market's demand for energy has increased significantly. The Chinese government has adopted a series of measures to promote development and use of new energy and ease dependence on conventional energy resources such as coal and petroleum, and striven to build a long-term mechanism for energy conservation and emission reduction. The Group promotes the use of natural gas to reduce air pollution and greenhouse gas emissions in line with national policies, and pays close attention to the impact of energy changes on the environment. By formulating environmental protection plans and implementing environmental policies, the Group strives to improve the environmental efficiency during operation, and conducts regular review on environmental performance to reduce the impact of its own business on the environment.

The Group attaches great importance to establishing an environmental protection management system. It has put in place the Environmental Protection Management Guidelines to stipulate clear policies and guidance in respect of organizational structure, project management, identification of environmental factors and evaluation. It keeps optimizing the management system and related policies and improving its environmental performance through standardized emission treatment and resources saving measures and enhancing employee's environmental awareness. The Group provides innovative and diversified clean energy solutions in China. All its natural gas projects comply with the national standard GB 17820-2012, that is, the sulfur dioxide emission per cubic meter of civil natural gas after combustion is not more than 920 milligrams. The Group strives to alleviate air pollution and make the sky blue to achieve "harmonious coexistence of energy and the environment".

The Group has always been committed to protecting the environment and has strictly abided by environmental protection laws and regulations formulated by national environmental protection agencies. These laws and regulations include, but not limited to, the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Cleaner Production Promotion Law of the People's Republic of China, Emission Standards for Air Pollutants in Power Plants, etc. for the prevention and treatment of sewage, exhaust gas and industrial waste. In addition, the Group also pays environmental protection taxes pursuant to the Environmental Protection Tax Law of the People's Republic of China.

During the reporting period, the Group did not find any violation of China's environmental protection laws or regulations which may have a significant impact on the Group's operation, nor has it been subject to significant fines, non-pecuniary penalties or lawsuits related to environmental violations. The Group's facilities meet the standards for environmental protection in China.

The Environment and Natural Resources

Beijing Gas Blue Sky values the impact of its operations on the environment and natural resources, and is committed to alleviating such impact brought by its natural gas business. Abiding by relevant environmental regulations and international standards, the Group also integrates environmental protection and environmental management into its business decisions, daily operations and internal management. It aims to achieve environmental sustainability and develop into a high-tech enterprise with good economic benefits, low resource consumption, low environmental pollution that allows a win-win situation for the economy, environment, and society. In the course of its operation, the Group strives to establish a smooth information channel and keeps abreast of any developments in environmental laws and regulations, so that it could ensure its operations stay closely in compliance with the increasingly stringent regulatory requirements and accurately convey the relevant information to the relevant stakeholders.

Environmental Impact of Construction

To reduce the harm to natural and biological resources such as atmosphere, water or living beings, as well as protect cultural landscape, the Group will, prior to commencing a construction project (such as laying down city pipelines and constructing refuelling stations), conduct environmental assessment and inspection to investigate the negative impact of the project on the place of operation and propose mitigating or alternate plan. The Group has also implemented a number of noise reduction plans. The Noise Control section in the Environmental Protection Management Guidelines specifies that the location of new gas stations and pressure regulating facilities shall be carefully selected to minimize impact of noise on the environment. In addition, the Group makes environmental contingency plan to prevent and mitigate the impact of incidents such as chemical leakage, spilling and fire on surrounding environment.

Mitigating and Adaptation to Climate Change

As an energy company, we are fully aware of the impact of energy use on climate change, and understand that it also has impact on operation of the Group, our operation centers, and supply chains. Therefore, we incorporate climate change to the risk management assessment. In addition to considering the potential risks of climate change to our business, we also explore the potential advantages brought by climate change to our operations and integrate them into our operating processes. As we have just begun to incorporate climate change to risk management, detailed information has not been disclosed in this Report. We plan to disclose such information specifically in future ESG reports.

Indoor Air Quality

The Group strictly controls the sources of pollutants and removes air pollutants through such methods as isolating pollutants from all people, diluting pollutants, discharging them from buildings through ventilation systems, and adopting filters. The Group's buildings and premises are non-smoking for 24 hours. An appropriate number of "No Smoking" signs are posted at all office locations. Such signs are also posted at an appropriate position in our vehicles.

Promotion of Clean Energy

The Group believes that everyone is able to help improve and protect the environment, and the Group's environmental performances can be enhanced with the efforts of every member. The Group's employees are provided with environmental protection training so that they can perform their duties in an environmentally responsible manner. Such environmental training can also enhance their ability to work and improve the performance of the Group. The Group also realizes that environmental protection activities are effective to promote environmental protection. Therefore, it regularly organizes environmental protection activities to encourage employees at all levels to concern about environmental issues and passes environmental protection information to all employees, thereby enhancing their awareness and performance of environmental protection. The Group's environmental protection activities include environmental awards, environmental quiz and environmental education exhibitions.

Energy Use and Efficiency

Beijing Gas Blue Sky is committed to saving energy and improving the efficiency of resource use in daily operation. The Group keeps abiding by environmental protection laws and regulations formulated by national and local environmental protection agencies, continuously improving its management system and related policies, and achieves the goal of efficient use of resources.

Its Environmental Protection Management Guidelines covers projects such as energy (resource) conservation management and production energy conservation, which is designed to strengthen energy measurement management and statistics, improve energy consumption statistics and energy utilization analysis systems, and establish original energy records and statistical ledgers. In this way, we can enhance energy data management, monitor its changes, and formulate corresponding measures. Preferentially, production electricity consumption and household electricity consumption in stations are measured by different meters. Advanced and energy-saving models shall be adopted for equipment with large power consumption, and be well maintained to ensure high efficiency. Statistics and comparative analysis are conducted for energy consumption regularly.

	Types of energy	Unit	**Year 2019**	Year 2018
Energy consumption	Direct energy	MWh	**2,247**	1,798
	Indirect energy[1]	MWh	**602**	767
	Total energy consumption	MWh	**2,849**	2,565
	Intensity (by area)[2]	MWh/square foot	**0.001**	0.01
	Intensity (by sales volume)[3]	MWh/million cubic meters	**9.88**	21.59

Notes:

1. As Zhejiang Huzhou was not required to pay electricity bill, its purchased electricity data was not available. The data for purchased electricity only included data from Hainan Xinyuan, Auhui Power Energy and Jilin Songyuan.

2. As of 31 December 2019, the Group's total operating area was 2,032,093.89 square foot. This data will be also used for the calculations of other intensity.

3. As of 31 December 2019, the Group's total gas sales volume was 288.3 million cubic meters. This data will also apply to other intensity calculations.

In daily operation, the Group encourages employees to react to environmental protection initiatives and implement various energy saving and energy management measures to reduce impact on the environment. Measures are listed below:

Energy-conservation management

- Conduct regular energy conservation inspection, promptly record and follow up with any problems identified, and implement energy conservation policies and systems;
- Carry out energy conservation education and make completion of the relevant training as one of the conditions for taking up the position of operating energy consuming equipment; and
- Establish the energy management and energy conservation mechanism involving all employees, as well as the corresponding incentive and punishment mechanism.

Energy conservation for production

- Set up log books for major energy consuming equipment and make comparison on a monthly or quarterly basis, so as to formulate control measures;
- Make regular inspection and maintenance of energy consuming equipments for production to maintain their energy efficiency; and
- Arrange repair immediately after an unusual condition is discovered.

Building energy conservation

- Promote effective lighting management such as use of LED lights to replace the traditional incandescent lights;
- Conduct air conditioning management such as regularly cleansing the air conditioning system to improve usage efficiency; and
- Try to purchase electric equipments with energy efficiency of level 2 or above.

Transportation energy conservation

- Make regular maintenance and repair to maintain an optimum energy efficiency state for vehicles;
- Develop a good driving habit to avoid any fuel consumption due to abrupt acceleration or deceleration; and
- Encourage car sharing practice.

Water Management

As for water conservation, Beijing Gas Blue Sky gets sufficient water through the municipal water supply system. The Group has formulated environmental protection policies such as the Environmental Protection Management Guidelines and actively carried out water conservation during operation. Domestic water and production water are measured separately for analysis and measures to be taken. As the Group's operation centers and business nature do not require a large amount of water, there is no issue in sourcing water that is fit for purpose.

	Water consumption data	Unit	**Year 2019**	Year 2018
Water consumption	Total water consumption	cubic meters	**9,040**	7,302
	Intensity (by area)	cubic meters/square foot	**0.004**	0.02
	Intensity (by sales volume)	cubic meters/ million cubic meters	**31.36**	61.47

The Group has installed water-saving equipments, while encouraging employees to increase their water-saving awareness. Water-saving measures in offices and buildings include, but not limited to:

- Install water limiting switches and automatic switches to save water;
- Encourage employees to report water leakage;
- Develop monitoring and maintenance plans to ensure that water pipes are in good condition;
- Use environmental-friendly cleaning products; and
- Post signs near the tap to remind users to turn off the tap.

In addition, Jilin Songyuan has installed wastewater reuse facilities. Employees at Hainan Xinyuan also reuse approximately 70% of the waste water generated from cleansing activities to flush the toilet, hence significantly improve the water use efficiency.

Use of Packaging Materials

Due to the nature of our business, no packaging materials have been used.

Waste Management

The Group well knows the potential impact of waste on environment, employees and the public and therefore handles the solid waste produced from our operations in a prudent manner. The day-to-day operation of the Group mainly produces non-hazardous waste, like paper and employees' domestic waste, with no hazardous waste being generated. During the Year, domestic waste of Jilin Songyuan represented the major source of non-hazardous waste. During the Year, the Group has not generated hazardous waste, and the total non-hazardous waste generated was approximately 110.8 tonnes.

The overview of non-hazardous waste is as follows:

	Non-hazardous waste data	Unit	**Year 2019**	Year 2018
Non-hazardous waste	Total discharge of non-hazardous waste	Tonnes	**110.8**	1,832.4
	Intensity (by area)	Tonnes/square foot	**0.0001**	0.01
	Intensity (by sales volume)	Tonnes/ million cubic meters	**0.38**	15.43

The overview of hazardous waste is as follows:

	Hazardous waste data	Unit	**Year 2019**	Year 2018
Hazardous waste	Waste oil	Tonnes	**–**	3
	Total discharge of hazardous waste	Tonnes	**–**	3
	Intensity (by area)	Tonnes/square foot	**–**	0.00002
	Intensity (by sales volume)	Tonnes/ million cubic meters	**–**	0.19

In accordance with the management procedures in the Environmental Protection Management Guidelines, the Group collects and temporarily stores wastes by category for further disposal. For collection, storage, handling, utilization, and disposal of solid waste, measures must be taken to prevent waste scattering or leakage and prevent environmental pollution. It is forbidden to dump, stack, discard, or leave solid waste without authorization. It is the Group's commitment made in the corporate environmental policies to "reduce waste and advocate recycle and reuse". Therefore, the Group encourages the recycle and reuse or sale of the recyclable non-hazardous waste such as waste paper, plastics, glass and metal, while the non-recyclable non-hazardous waste would be collected and handled in a centralized way by the entity responsible for urban garbage disposal. Hazardous waste in refuelling stations shall be stored in containers labelled "hazardous", and collected and disposed of by qualified collectors.

The Group has also implemented a number of measures aiming at reducing paper use, including but not limited to, using multi-purpose recyclable paper, adopting double-sided printing, using emails instead of paper documents for internal communication, and promoting office automation systems and paperless office so as to advocate paperless operation.

Emissions

The Group is a natural gas provider. Compared with traditional fossil fuels such as coal and petroleum, natural gas allows less emissions of nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and particulate matter ("PM") for improvement of air quality. However, air pollutants are still emitted during the Group's operation, mainly from the use of vehicles, generators and boilers where fossil fuels are burnt.

In order to strictly monitor the exhaust gas generated during the production process, the requirements for exhaust gas management are set out in the Environmental Protection Management Guidelines. As the exhaust gas generated during the production operation at stations is mainly leaked and diffused gas, exhaust gas from the combustion of boilers and exhaust gas from generators, etc., the Group requires station management personnel to conduct weekly inspections on equipment and pipelines for leaks and to follow up timely. With regard to the operation of boilers and generators, a monitoring plan must be formulated to carry out self-monitoring of pollutant discharge. The Group also sets out that vehicle drivers should have good driving habits and strengthen vehicle maintenance in an effort to reduce exhaust gas emissions.

During the Year, the Group's exhaust gas emissions were NOx approximately 110 kg (Year 2018: approximately 396 kg), SOx approximately 1 kg (Year 2018: approximately 15 kg) and PM approximately 8 kg (Year 2018: approximately 25 kg).

The Group well understands the importance to control greenhouse gas emissions. To effectively understand and manage the impact of its operations on climate change, the Group engaged an independent professional consultant to conduct carbon evaluation to quantify emission of greenhouse gases, with a view to assist the Group in monitoring and reviewing the quantity of emissions on a regular basis. The quantitative measurement was conducted based on the "Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Petroleum and Natural Gas Production Enterprises in China (Trial)".

During the Year, the Group's total greenhouse gas emissions[4] were approximately 1,672 tCO_2e (Year 2018: approximately 4,050 tCO_2e). The major greenhouse house emissions were direct greenhouse gas emissions (Scope 1) from diesel consumed by power generators, natural gas consumed by boilers, gasoline and compressed natural gas consumed by vehicles, and process release and escape emissions of natural gas transmission facilities, approximately 1,305 tCO_2e (Year 2018: approximately 3,597 tCO_2e), contributing to approximately 78% of total emissions (Year 2018: approximately 88%). Followed by energy indirect greenhouse gas emissions (Scope 2) from purchased electricity and other indirect greenhouse gas emissions (Scope 3) from aircraft business travel by employees, approximately 359 tCO_2e (Year 2018: approximately 450 tCO_2e) and 8 tCO_2e (Year 2018: approximately 3 tCO_2e) respectively, contributing to approximately 21% of total emissions (Year 2018: approximately 11%) and 1% (Year 2018: approximately 1%) of total emissions respectively. The total greenhouse gas emissions intensity in terms of floor area was approximately 0.001 tCO_2e per square foot in Year 2019 (Year 2018: approximately 0.01 tCO_2e per square foot). While the total greenhouse gas emissions intensity in terms of sales volume was approximately 5.80 tCO_2e per million cubic meters in Year 2019 (Year 2018: approximately 34.10 tCO_2e per million cubic meters).

Notes:

4. Direct greenhouse gas emissions (Scope 1) mainly cover equipment owned or controlled by the Group, namely diesel consumed by power generators, natural gas consumed by boilers, gasoline and compressed natural gas consumed by vehicles, and process release and escape emissions of natural gas transmission facilities. Indirect greenhouse gas emissions mainly cover electricity consumption (Scope 2) and aircraft business travel by employees (Scope 3). Greenhouse gas emissions data has been presented in terms of carbon dioxide equivalents, with reference to data including, but not limited to the "Greenhouse Gas Protocol: Corporate Accounting and Reporting Standards" published by the World Resources Institute and the World Business Council for Sustainable Development, "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" released by the Hong Kong Stock Exchange, Global Warming Potential in IPCC Fifth Assessment Report (AR5) released by Intergovernmental Panel on Climate Change, the "Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Petroleum and Natural Gas Production Enterprises in China (Trail)" and the recently released China's regional grid baseline emission factors.

To reduce greenhouse gas emissions, we have formulated and implemented a number of energy-conservation programs. As climate change becomes an increasing concern of society, the Group, as a member of the energy sector, plans to conduct a comprehensive evaluation on the climate risk in the future to identify the physical and transition risks arising from climate change and formulate appropriate countermeasures.

Wastewater Discharge

Wastewater generated during the Group's production processes mainly includes domestic wastewater, wastewater from stations, and wastewater from construction sites. During the Year, the total wastewater discharge of the Group was about 689 tonnes.

Regarding the discharge of wastewater, the Group effectively identified wastewater discharge generated during production according to the "Environmental Factors Identification and Evaluation Procedures" given in the Environmental Protection Management Guidelines, and performed supervision in accordance with related regulations. In addition, the Group has stated in the guidelines that it is forbidden to discharge oils, acids, salins, or highly toxic waste liquids into water bodies, or clean vehicles and containers containing oil or toxic pollutants in water bodies.

BUILD A BETTER COMMUNITY

Community Investment

While focusing on project investment and construction, the Group indirectly boosts local infrastructure construction. Taking valuing local culture and effectively using resources as the principle, it aims to improve the community environment. In addition, we support projects or programs which employees can participate in. For example, we connect natural gas pipelines for local residents and provide industrial parks with stable natural gas supplies at a low price, benefiting tens of thousands of people in the communities. During the reporting period, the Group has not been subject to major fines for social and economic violations. The number of non-monetary penalties for social and economic violations and that of lawsuits filed through the dispute resolution mechanism were all zero.

The Group has formulated the Policy on Community Investment, Sponsorship and Donation to set out a framework of guidelines regarding contribution to community, and will review the policy every three years to ensure that it can keep abreast with changes in business and the external environment. Our goal is to establish long-term relationship with parties relevant to its business on basis of mutual trust, respect and integrity, and supports programmes that would bring positive effect on social development. We adopt internationally recognized standards, such as the London Benchmarking Group's rules, to review the value created by major projects and programs for society and business. Currently, the Group has identified four focus areas as below:

As a socially responsible enterprise, Beijing Gas Blue Sky deeply understands the importance to meet expectations of various stakeholders. Looking forward, the Group will conduct community activities aiming at understanding expectations of stakeholders, and then under the guidance of the relevant policies, devote resources into the focus areas by leveraging on its own advantages.

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ESG REPORTING GUIDE INDEX

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Build a Green Future, Waste Management, Emissions, Wastewater Discharge
KPI A1.1 (Comply or explain)	Types of emissions and respective emissions data.	Emissions
KPI A1.2 (Comply or explain)	Greenhouse gas emissions in total (in tonnes) and intensity	Emissions
KPI A1.3 (Comply or explain)	Total hazardous waste produced (in tonnes) and intensity.	Waste Management
KPI A1.4 (Comply or explain)	Total non-hazardous waste produced (in tonnes) and intensity.	Waste Management
KPI A1.5 (Comply or explain)	Description of measures to mitigate emissions and results achieved.	Emissions, Wastewater Discharge
KPI A1.6 (Comply or explain)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Build a Green Future, Energy Use and Efficiency, Water Management
KPI A2.1 (Comply or explain)	Direct and/or indirect energy consumption by type in total and intensity.	Energy Use and Efficiency
KPI A2.2 (Comply or explain)	Water consumption in total and intensity.	Water Management
KPI A2.3 (Comply or explain)	Description of energy use efficiency initiatives and results achieved.	Energy Use and Efficiency
KPI A2.4 (Comply or explain)	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	Water Management
KPI A2.5 (Comply or explain)	Total packaging material used for finished products (in tonnes), and with reference to per unit produced.	Use of Packaging Materials

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 (Comply or explain)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources, Environmental Impact of Engineering Projects, Mitigating and Adaptation to Climate Change, Indoor Air Quality, Promotion of Clean Energy
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human Resources Management System, Employee Rights and Benefits, Communication Channel, Diversity, Equal Opportunity and Anti-discrimination
KPI B1.1 (Recommended disclosures)	Total workforce by gender, employment type, age group and geographical region.	Human Resources Management System
KPI B1.2 (Recommended disclosures)	Employee turnover rate by gender, age group and geographical region.	Human Resources Management System

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety, Safety Management Systems, Safety Protection Measures, Safety Accident Management
KPI B2.1 (Recommended disclosures)	Number and rate of work-related fatalities.	Employee Health and Safety
KPI B2.2 (Recommended disclosures)	Lost days due to work injury.	Employee Health and Safety
KPI B2.3 (Recommended disclosures)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee Health and Safety, Safety Management Systems, Safety Protection Measures, Safety Accident Management
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1 (Recommended disclosures)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2 (Recommended disclosures)	The average training hours completed per employee by gender and employee category.	Development and Training

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 (Recommended disclosures)	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2 (Recommended disclosures)	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1 (Recommended disclosures)	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2 (Recommended disclosures)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing Safe and Quality Service, Accident Risk and Emergency Preparation, Safe and Stable Gas Supply, Quality Management, Customer and Community Safety, Customer Privacy Protection, Advertising and Labeling, Intellectual Property Rights
KPI B6.1 (Recommended disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Customer and Community Safety
KPI B6.2 (Recommended disclosures)	Number of products and service related complaints received and how they are dealt with.	Customer and Community Safety
KPI B6.3 (Recommended disclosures)	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
KPI B6.4 (Recommended disclosures)	Description of quality assurance process and recall procedures.	Safe and Stable Gas Supply, Quality Management, Customer and Community Safety
KPI B6.5 (Recommended disclosures)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Consumer Privacy Protection

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 (Recommended disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2 (Recommended disclosures)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

GRI CONTENT INDEX

GRI Index	Description	Chapter/Statement
GRI 102: General Disclosures 2016		
102-1	Name of the organization	Cover
102-2	Activities, brands, products, and services	Introduction; About Beijing Gas Blue Sky
102-3	Location of headquarters	About Beijing Gas Blue Sky
102-4	Location of operations	About Beijing Gas Blue Sky
102-5	Ownership and legal form	Cover
102-6	Markets served	About Beijing Gas Blue Sky
102-7	Scale of the organization	Introduction; Annual Report
102-8	Information on employees and other workers	Build a Desirable Working Environment – Human Resource Management System
102-9	Supply chain	Follow a Cooperative and Win-win Business Philosophy –Supply Chain Management
102-10	Significant changes to the organization and its supply chain	About Beijing Gas Blue Sky
102-11	Precautionary Principle or approach	Sustainable Development Governance
102-12	External initiatives	Introduction
102-14	Statement from senior decision-maker	Message from the Chairman
102-16	Values, principles, standards, and norms of behaviour	About Beijing Gas Blue Sky
102-18	Governance structure	Sustainable Development Governance
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	Scope of Report; Annual Report
102-46	Defining report content and topic Boundaries	Materiality Assessment
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	No restatements of information
102-49	Changes in reporting	Materiality Assessment
102-50	Reporting period	Reporting Period
102-51	Date of most recent report	Introduction
102-52	Reporting cycle	Introduction
102-53	Contact point for questions regarding the report	Feedbacks
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Standards
102-55	GRI content index	GRI Content Index
102-56	External assurance	The ESG data and information we provide have not been verified by independent third parties. We rely on internal data monitoring and verification of data samples to ensure their accuracy.

GRI Index	Description	Chapter/Statement
GRI 103: Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Scope of Report；Materiality Assessment
103-2	The management approach and its components	Providing Safe and Quality Service; Build a Desirable Working Environment; Follow a Cooperative and Win-win Business Philosophy; Build a Green Future; Build a Better Community
103-3	Evaluation of the management approach	Providing Safe and Quality Service; Build a Desirable Working Environment; Follow a Cooperative and Win-win Business Philosophy; Build a Green Future; Build a Better Community
GRI 205: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	Follow a Cooperative and Win-win Business Philosophy – Anti-corruption
205-3	Confirmed incidents of corruption and actions taken	Follow a Cooperative and Win-win Business Philosophy – Anti-corruption
GRI 206: Anti-competitive Behaviour 2016		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Follow a Cooperative and Win-win Business Philosophy – Prevent Anti-Competitive Behaviour
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Build a Green Future – Energy Use and Efficiency
302-3	Energy intensity	Build a Green Future – Energy Use and Efficiency
302-4	Reduction of energy consumption	Build a Green Future – Energy Use and Efficiency
GRI 303: Water 2016		
303-1	Water withdrawal by source	Build a Green Future – Water Management
303-3	Water recycled and reused	Build a Green Future – Water Management

GRI Index	Description	Chapter/Statement
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) greenhouse gas emissions	Build a Green Future – Emissions
305-2	Energy indirect (Scope 2) greenhouse gas emissions	Build a Green Future – Emissions
305-3	Other indirect (Scope 3) greenhouse gas emissions	Build a Green Future – Emissions
305-4	Greenhouse gas emissions intensity	Build a Green Future – Emissions
305-5	Reduction of greenhouse gas emissions	Build a Green Future – Emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Build a Green Future – Emissions
GRI 306: Effluents and Waste 2016		
306-1	Water discharge by quality and destination	Build a Green Future – Water Management; Wastewater discharge
306-2	Waste by type and disposal method	Build a Green Future – Waste Management
GRI 307: Environmental Compliance 2016		
307-1	Non-compliance with Environmental laws and regulations	Build a Green Future
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Build a Desirable Working Environment – Human Resource System
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Build a Desirable Working Environment – Employee Rights and Benefits
GRI 403: Occupational Health and Safety 2016		
403-1	Workers representation in formal joint management–worker health and safety committees	Build a Desirable Working Environment – Safety Management System
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Build a Desirable Working Environment – Employee Health and Safety
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Build a Desirable Working Environment – Development and Training
404-2	Programs for upgrading employee skills and transition assistance programs	Build a Desirable Working Environment – Development and Training
GRI 405: Diversity and Equal Opportunity 2016		
405-2	Ratio of basic salary and remuneration of women to men	Build a Desirable Working Environment – Diversity, Equal Opportunity and Anti-discrimination

GRI Index	Description	Chapter/Statement
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Build a Desirable Working Environment – Diversity, Equal Opportunity and Anti-discrimination
GRI 408: Child Labour 2016		
408-1	Operations and suppliers at significant risk for incidents of child labour	Build a Desirable Working Environment – Labour Standards
GRI 409: Forced or Compulsory Labour 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Build a Desirable Working Environment – Labour Standards
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Providing Safe and Quality Service – Accident Risk and Emergency Preparation
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Providing Safe and Quality Service
GRI 417: Marketing and Labeling 2016		
417-2	Incidents of non-compliance concerning product and service information and labeling	Providing Safe and Quality Service
417-3	Incidents of non-compliance concerning marketing communications	Providing Safe and Quality Service
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Providing Safe and Quality Service – Accident Risk and Emergency Preparation
GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	Not violate the laws and regulations in the social and economic area, referring to ”Build a Better Community”

REPORT OF THE DIRECTORS

The directors (the "Directors") of Beijing Gas Blue Sky Holdings Limited (the "Company") 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 2019 (the "Year").

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 principal subsidiaries are set out in note 39 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year 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 4 to 7 and pages 8 to 18 of this annual report. A discussion on the Group's environmental policies are set out in the Environmental, Social and Governance Report of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Management Discussion and Analysis on pages 8 to 18 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has strived to ensure ongoing compliance with relevant rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Year, to the best of the Directors' knowledge, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

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 40 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 to this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 December 2019 are set out in the consolidated financial statements on pages 109 to 112.

The Directors do not recommend the payment of final dividend for the Year (2018: 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 230 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment and prepaid lease payments of the Group during the year are set out in notes 14 and 13 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements of the Company's share capital are set out in note 32 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, REDEMPTION OR SALE OF SHARES

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company set out in the section headed "Share Options" and "Share Option Scheme" on page 94 and note 34 to the consolidated financial statements respectively, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

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

This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

Details of movements in the reserves of the Group and the Company are set out in consolidated statements of changes in equity and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 10.6% of the total sales for the Year and sales to the largest customer included therein amounted to 3.2%. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 16.0%. 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 of the Company during the Year and up to the date of this report are listed on page 2 of this annual report.

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr. Cheng Ming Kit, Mr. Wee Piew and Mr. Ma Arthur On-hing shall retire by rotation at the forthcoming annual general meeting of the Company ("AGM"). In accordance with Bye-law 85(2) of the Bye-Laws, Mr. Jin Qiang shall retire at the AGM. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors 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 Year 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 Directors and the senior management of the Group are set out on pages 19 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2019, 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.

PERMITTED INDEMNITY PROVISIONS

During the Year 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 Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 9 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During the year, the five individuals with the highest remuneration in the Group are two Directors of the Company and three individuals. Details of the highest paid individuals are set out in note 9 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any 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 the Year under review.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Year and up to the date of this annual report, 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 2019, the interests and short positions of the Directors of the Company 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 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 SEHK pursuant to the Model Code contained in the Rules Governing the Listing of Securities on SEHK ("Listing Rules") were as follows:

(i) Interest in Shares of the Company

Name of Director/ chief executive	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding at 31/12/2019
Mr. Cheng Ming Kit (Note 2)	Beneficial owner	246,745,040 (L)	1.90%
	Interest of controlled corporations	950,388,256 (L)	7.32%
Mr. Hung Tao	Beneficial owner	43,682,730 (L)	0.34%

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 847,436,256 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. Mr. Cheng personally holds 246,745,040 Shares and shall purchase up to 157,750,000 Shares upon request from an option holder.

(ii) Interest in underlying shares of the Company

Name of Director/ chief executive	Nature of interest	Number of underlying Shares (Note)	Approximate percentage of shareholding at 31/12/2019
Mr. Cheng Ming Kit	Beneficial owner	9,962,690 (L)	0.08%
Mr. Lim Siang Kai	Beneficial owner	2,490,670 (L)	0.02%
Mr. Wee Piew	Beneficial owner	2,490,670 (L)	0.02%

Note: The underlying shares are share options granted by the Company to the Directors. The letter "L" denotes a long position in the Shares of the Company.

(iii) Interest in associated corporations

		At 31/12/2019	
Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
Mr. Cheng Ming Kit	Grand Powerful Group Limited	1	100%
	China Print Power Limited	10,000	100%

Save as disclosed above, as at 31 December 2019, 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 any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the SEHK pursuant to the Model Code.

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

As at 31 December 2019, 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 31/12/2019**
Grand Powerful Group Limited (Note 2)	Beneficial owner	847,436,256 (L)	6.53%
Beijing Gas Company Limited (Note 3)	Beneficial owner	5,341,042,131 (L)	41.13%
Beijing Gas Group Co., Ltd (Note 3)	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Beijing Enterprises Group Company Limited (Note 3)	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Lee Tsz Hang (Note 4)	Beneficial owner	608,837,000 (L)	4.69%
	Interest of controlled corporation	223,856,000 (L)	1.72%

Notes:

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

2. Grand Powerful Group Limited is wholly-owned by Mr. Cheng Ming Kit, an executive Director and Co-Chairman of the Board. The interest disclosed represented the same interest as the corporate interest of Mr. Cheng Ming Kit as disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above.

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 Co-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. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 223,856,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 608,837,000 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 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 2019, 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 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. Details of the share option scheme are set out in note 34 to the consolidated financial statements.

The following table discloses movements of the Company's share options during the year ended 31 December 2019:

Category of grantee	Exercise price per share option *HK$*	Date of grant	Exercisable period	Number of share options as at 1 January 2019	Number of share options granted during the Year (Note)	Number of share options exercised during the Year	Number of share options lapsed during the Year	Number of share options as at 31 December 2019
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
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	(2,490,670)	–
Sub-total				17,434,700	–	–	(2,490,670)	14,944,030
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	9,962,690
	0.395	23 July 2015	23 July 2016 to 22 July 2019	41,628,000	–	–	(41,628,000)	–
	0.660	20 July 2016	20 July 2017 to 19 July 2020	27,100,000	–	–	(2,800,000)	24,300,000
Sub-total				78,690,690	–	–	(44,428,000)	34,262,690
Total				96,125,390	–	–	(46,918,670)	49,206,720
Exercisable at the end of the year								49,206,720
Weighted average exercise price				HK$0.441	N/A	N/A	HK$0.411	HK$0.471
Weighted average share price at dates of exercise				N/A	N/A	N/A	N/A	N/A

Note:

During the Year, no share options were granted under the Scheme. A total of 46,918,670 share options were lapsed.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 36 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group had the following continuing connected transactions, details of which are set out below:

(i) A Master Agreement entered into between Anhui Power Energy Company Limited ("Anhui Power Energy") as supplier and Beijing Gas Lu Yuan Da Clean Fuel Company Limited ("Beijing Luyuanda") as purchaser

Date: 21 November 2016

Terms: 1 January 2017 to 31 December 2019

Subject Matter: Provision of LNG by Anhui Power Energy to Beijing Luyuanda in PRC

Basis of Pricing: The consideration is determined after arm's length negotiation based on normal commercial terms between the parties and be based on the following principles:

1. The market price of LNG in the PRC;
2. The selling price to Beijing Luyuanda shall not be lower than the selling price to the independent third parties in the market.
3. The selling price may be adjusted under the following circumstances:
   - (i) the LNG producer or supplier of Anhui Power Energy adjusts its selling price;
   - (ii) new governmental policy in relation to the selling price of LNG is implemented; and
   - (iii) the delivery cost of the Anhui Power Energy has been increased due to the change of the fuel price.

Annual Caps: For the year ended 31 December 2019: RMB180,000,000

The total sales to Beijing Luyuanda for the year ended 31 December 2019 amounted to approximately RMB519,000.

(ii) A LNG Supply Agreement entered into between Beijing Gas Blue Sky Energy Limited ("Beijing Blue Sky Energy") as supplier and Kunlun Energy Investment Shandong Company Limited ("Kunlun Energy Shandong") as purchaser

Date:	9 May 2018
Terms:	9 May 2018 to 8 May 2021
Subject Matter:	Provision of LNG by Beijing Blue Sky Energy to Kunlun Energy Shandong in the PRC
Basis of Pricing:	The consideration is determined after arm's length negotiation based on normal commercial terms between the parties and be based on the following principles: 1. the daily settlement price shall not be higher than the settlement price quoted by Sinopec; 2. the selling price to Kunlun Energy Shandong will be no less favourable than the selling price to the independent third parties ordering at the same time of similar order quantities; and 3. The selling price may be adjusted under the following circumstances: (i) the market price for LNG has changed drastically; or (ii) the transportation cost has changed drastically.
Annual Cap:	For the year ended 31 December 2019: RMB255,000,000 For the year ending 31 December 2020: RMB255,000,000 For the period commencing from 1 January 2021 to 8 May 2021: RMB85,000,000

The total purchase from Kunlun Energy Shandong for the year ended 31 December 2019 amounted to approximately RMB27,643,000.

The independent non-executive Directors of the Company have reviewed and confirmed that the CCTs 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 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 CCTs:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group;

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

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

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:

- the Group's current and future operations;
- the Group's capital requirements;
- the Group's liquidity position;
- the Group's debt to equity ratios and the debt level;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- statutory and regulatory restrictions;
- other internal or external factors that may have an impact on the business or financial performance and positions of the Company; and
- other factors that the Board deems relevant.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Tuesday, 23 June 2020. A notice convening the annual general meeting will be issued to the shareholders of the Company together with this annual report, which will also be available on the SEHK's website at www.hkexnews.hk and the Company's website at www.bgbluesky.com.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on SHEK (the "Listing Rules"). The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2019 except for the following deviations:

Code provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheng Ming Kit, a co-chairman of the Company, was appointed as chief executive officer on 19 January 2018 and performed both the roles of chairman and chief executive officer of the Company which is deviated from code provision A.2.1 of the CG Code. The Company believes that Mr. Cheng Ming Kit servers as both the co-chairman and the chief executive officer of the Company is more efficient and effective for the Company to develop its long-term strategies and in the execution of its business plans.

Code provision A.6.7

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

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

Code provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 12 June 2019 due to their other business commitments.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the 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 2019 interim report are set out below:

(i) Mr. Li Weiqi has resigned as an executive Director of the Company with effect from 27 September 2019.

(ii) Mr. Jin Qiang has appointed as an executive Director of the Company with effect from 27 September 2019.

Save as disclosed above, the Company is not aware of any other changes in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE UNDER RULE 13.21 OF THE LISITING RULES

General banking facility letter entered into on 24 April 2019

Pursuant to a general banking facility letter entered into between the Company and a bank on 24 April 2019 in relation to the facilities of US$30,000,000 for irrevocable letters of credit with full trust receipts and/or for invoice financing on invoices Issued by vendors with a sub-limit of (i) US$30,000,000 available for discounting invoices; and (ii) US$5,000,000 available for revolving credit facility (the "Facilities"), the Company undertakes that Beijing Enterprises Holdings Limited directly/indirectly holds at least 40% of the issued shares of the Company. The Facilities have no fixed term and are subject to the overriding right by bank at any time to demand repayment.

Uncommitted revolving multicurrency loan facility agreement entered into on 19 June 2019

Pursuant to an uncommitted revolving multicurrency loan facility agreement entered into between the Company and a bank on 19 June 2019 in relation to the facilities of US$30,000,000 for a short-term multicurrency loan facility (the "Facility"), the Company undertakes that Beijing Gas Company Limited holds at least 35% of the equity Interest of the Company. The Facility has no fixed term and the bank is entitled in its absolute discretion to cancel and/or demand immediate repayment of all outstanding amounts from time to time.

Supplemental letter to the facility letter dated 9 August 2017 entered into on 5 September 2019

Pursuant to a supplemental letter to the facility letter entered into between the Company and a bank on 5 September 2019 in relation to the term loan facility up to a maximum principal amount of HK$250,000,000 with maturity date on 16 August 2020 (the "Facility"), the Company undertakes that Beijing Gas Company Limited remains as the single largest shareholders of the Company with a minimum shareholding of 20% of the equity interest of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Revolving loan facility letter entered into on 8 October 2019

Pursuant to a revolving loan facility letter entered into between the Company and a bank on 8 October 2019 in relation to a revolving loan facility up to HK$200,000,000 (the "Facility"), the Company undertakes that Beijing Gas Company Limited remains its beneficial ownership of at least 38% of the equity interest of the Company. The maturity date of the Facility shall be on 12 months after the Company's acceptance of the facility letter. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Uncommitted revolving bridge facility letter entered into on 23 December 2019

Pursuant to an uncommitted revolving bridge facility letter entered into between the Company and a bank on 23 December 2019 in relation to the facility of HK$240,000,000 (the "Facility"), the Company undertakes that Beijing Enterprises Holdings Limited holds directly or indirectly at least 35% of the issued share capital of the Company. The maturity date of the Facility shall be 6 months from the date of the facility letter. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Facility agreement entered into on 2 March 2020

Pursuant to the facility agreement entered into between the Company and a bank on 2 March 2020 in relation to the 3-year facility of HK$500,000,000 (the "Facility"), the Company undertakes that Beijing Gas Group Co. Ltd shall directly or indirectly remains as the largest shareholder of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

Uncommitted Trade Finance Facility Letter entered into on 6 March 2020

Pursuant to the uncommitted trade finance facility letter entered into between the Company and a bank on 6 March 2020 in relation to the facility of US$50,000,000 (the "Trade Finance Facility"), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly holds at least 40% of the issued shares of the Company. The Trade Finance Facility has no fixed term and the bank is entitled in its absolute discretion to cancel and/or demand immediate repayment of all outstanding amounts from time to time.

Uncommitted revolving loan facility letter entered into on 9 April 2020

Pursuant to an uncommitted revolving loan facility letter entered into between the Company and a bank on 9 April 2020 in relation to a one-year uncommitted revolving loan facility up to HK$200,000,000 (the "Facility"), the Company undertakes that Beijing Gas Group Co., Ltd shall directly or indirectly hold at least 35% of the issued shares of the Company. In the event the aforesaid condition has been breached, the bank may terminate the Facility and demand immediate repayment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and it's 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 Year.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 39 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 2019 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 2019.

AUDIT COMMITTEE

The Audit Committee comprises four members, namely, Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin, all being independent non-executive Directors. Mr. Lim Siang Kai is the chairman of Audit Committee. The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2019.

The Audit Committee has recommended to the Board the re-appointment of Mazars CPA Limited ("Mazars") as the external auditors of the Company at the forthcoming annual general meeting.

AUDITORS

On 13 January 2020, the Company's auditor, Deloitte Touche Tohmatsu resigned and Mazars CPA Limited, Certified Public Accountants, was appointed as the auditor of the Company. A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited.

On behalf of the Board of Directors

Mr. Cheng Ming Kit
Director

Mr. Hung Tao
Director

15 May 2020

INDEPENDENT AUDITOR'S REPORT

MAZARS
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MAZARS CPA LIMITED
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Website 網址: www.mazars.hk

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

OPINION

We have audited the consolidated financial statements of Beijing Gas Blue Sky Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 109 to 229, which comprise the consolidated statement of financial position as at 31 December 2019, 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, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and 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 OPINION

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 opinion.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and operating rights	
We identified the impairment assessment in relation to goodwill and operating rights of the Group's subsidiaries as a key audit matter due to their significance to the consolidated financial statements. In addition, estimation uncertainty is associated with determining the recoverable amounts of the goodwill and operating rights for impairment assessment. The Group engaged independent professional valuer as management's expert for the purpose of impairment assessment. At 31 December 2019, the Group's goodwill and operating rights amounted to approximately HK$1,475,408,000 and HK$1,162,748,000, respectively. No impairment loss has been recognised against goodwill and operating rights for the year then ended. The management of the Group estimated recoverable amounts of each cash generating units ("CGUs"), being different natural gas operations of the Group with reference to value-in-use calculations using cash flow forecasts. In addition to the committed/intended future customers orders and specific circumstances, key assumptions made by the management in the impairment assessment include the overall growth rates and discount rates applied, all of which vary based on the stage of development of the Group's natural gas operations and management's expectation for the market development of natural gas business in the People's Republic of China (the "PRC"). Related disclosures are included in Notes 2, 16, 17 and 18 to the consolidated financial statements.	Our procedures, among others, included: a) Obtaining the cash flow forecasts of the CGUs to which the Group's goodwill and operating rights are allocated and understanding the key management assumptions adopted in these cash flow forecasts through enquiries with the management; b) Evaluating the independent professional valuer's competence, capabilities and objectivity and obtaining an understanding of and evaluating the valuer's work; c) Verifying the committed/intended future customers orders and specific circumstances against written correspondence supporting documents; d) Challenging the appropriateness of the key assumptions adopted by the management in the cash flow forecasts of each CGU, such as the forecast growth rates applied, discount rates used, unit prices of natural gas and comparing them with available market data and our knowledge of the current market development of natural gas industry in the PRC; e) Comparing the underlying cash flows against historical performance of CGUs to test the accuracy of management's projections; and f) Reviewing the cash flow forecasts by stress testing key assumptions, assessing the impact on the sensitivity analysis, and understanding the degree to which the assumptions would need to move before impairment would be triggered.

Key audit matter	How our audit addressed the key audit matter
Acquisition accounting for Rainbow Leap Limited and its subsidiaries (the "Acquired Group")	
The Group completed the acquisition of Rainbow Leap Limited and its subsidiaries on 31 May 2019 at a consideration of approximately HK$253,097,000 (the "Acquisition"). The Acquisition constituted a business combination for accounting purposes. The initial accounting for the Acquisition requires the Group to identify the assets acquired and liabilities assumed and measure their amounts and the resulted goodwill upon acquisition. The Group has appointed an independent professional valuer to assist in determining the acquisition-date fair value of identifiable assets and liabilities of the Acquired Group where applicable. Goodwill of approximately HK$330,704,000 was recognised in relation to the Acquisition. We considered this matter to be a key audit matter because of the significant impact of the Acquisition on the consolidated financial statements, and the inherent judgement involved in estimating the value of the assets acquired and liabilities assumed and the resulted goodwill. Related disclosures are included in Notes 2, 18 and 38(b) to the consolidated financial statements.	Our procedures, among others, included: a) Evaluating management's assessment of the terms of the acquisition agreement; b) Understanding the valuation processes and methodology, significant assumptions adopted and key inputs used in the identification and valuation of assets and liabilities; c) Challenging the reasonableness of key assumptions such as revenue growth rates and gross margins used by management based on our knowledge and understanding of the business of the Acquired Group and market; d) Assessing the appropriateness of the methodology and the reasonableness of significant assumptions in determining the value of assets acquired and liabilities assumed including fair value adjustments as at date of acquisition; e) Evaluating the competence, capabilities and objectivity of the independent professional valuer; and f) Performing legal search on the Acquired Group to identify any contingent liabilities and evaluate the impact.

Key audit matter	How our audit addressed the key audit matter
Going concern	
At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$1,048,086,000. At 31 December 2019, the Group had unutilised banking facilities in aggregate of approximately HK$100,977,000. Subsequent to 31 December 2019, the Group is granted with additional bank facilities in aggregate of approximately HK$1,087,500,000 and issued corporate bonds amounting at principal amount of approximately HK$438,300,000 of which approximately HK$198,550,000 will be due more than one year. In addition, management of the Group has prepared the cash flow projections of the Group covering a period of not less than twelve months from 31 December 2019. We have identified the above matter as a key audit matter because it is important for the preparation of the consolidated financial statements and significant judgement is involved in assessing the appropriateness of the going concern basis. Related disclosures are included in Note 2 to the consolidated financial statements.	Our procedures, among others, included: a) Inspecting the banking facilities letters; b) Verifying the unutilised amounts of the available banking facilities; c) Inspecting the subscription agreements for the corporate bonds; d) Verifying proceeds from issue of corporate bonds against cash receipt documents; e) Obtaining the cash flow projections of the Group and understanding the key management assumptions adopted in the cash flow forecasts through enquiries with the management; and f) Assessing the appropriateness of the key assumptions adopted by the management in the cash flow projections of the Group, such as the forecast growth rates applied, discount rates used and planned capital expenditures.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019 annual report, but does not include 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. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance are responsible 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. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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 skepticism 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.

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

- Conclude on the appropriateness of the use of the going concern basis of accounting by the directors of the Company 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 those charged with governance 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 those charged with governance 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, related safeguards.

From the matters communicated with those charged with governance, 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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 15 May 2020

The engagement director on the audit resulting in this independent auditor's report is:
She Shing Pang
Practising Certificate Number: P05510

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3	**2,676,129**	2,148,480
Cost of sales		**(2,451,619)**	(1,950,108)
Gross profit		**224,510**	198,372
Other gains and losses	5	**119,508**	64,125
Other income	6	**46,126**	36,258
Administrative expenses		**(339,250)**	(284,814)
Other expenses		**(22,730)**	(10,713)
Reversal of/(Provision for) impairment losses on trade and other receivables, net	8	**5,749**	(21,325)
Finance costs	7	**(244,162)**	(241,764)
Share of profit of associates	19	**305,712**	251,485
Share of profit/(loss) of joint ventures	20	**1,575**	(923)
Gain on deemed partial disposal of an associate		**–**	1,588
Gain on partial disposal of joint ventures		**–**	2,625
Gain on disposal of subsidiaries	4	**–**	66,323
Gain arising from acquisition of an associate	19	**–**	197,951
Profit before taxation	8	**97,038**	259,188
Income tax (expense)/credit	10	**(23,168)**	2,328
Profit for the year		**73,870**	261,516
Other comprehensive (loss)/income:			
Item that is reclassified or may be reclassified subsequently to profit or loss			
Exchange difference arising on consolidation		**(370,700)**	(237,168)
Share of other comprehensive loss of associates and joint ventures		**(140,038)**	–
Items that will not be reclassified to profit or loss			
Fair value changes in financial assets at FVTOCI		**(116,442)**	48,746
Total other comprehensive loss for the year		**(627,180)**	(188,422)
Total comprehensive (loss)/income for the year		**(553,310)**	73,094

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(10,871)**	260,657
Non-controlling interests		**84,741**	859
		73,870	261,516
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(602,453)**	75,120
Non-controlling interests		**49,143**	(2,026)
		(553,310)	73,094
		HK cents	*HK cents*
(Loss)/Earnings per share	11		
Basic		**(0.08)**	2.27
Diluted		**(0.08)**	2.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Prepaid lease payments	13	**–**	41,579
Property, plant and equipment	14	**481,055**	620,667
Right-of-use assets	15	**222,832**	–
Intangible assets	16	**1,162,748**	1,234,621
Goodwill	17	**1,475,408**	1,139,731
Interests in associates	19	**1,771,318**	1,821,615
Interests in joint ventures	20	**360,346**	355,445
Deposits for acquisition of subsidiaries		**772,178**	803,080
Deposits for acquisition of property, plant and equipment		**77,151**	82,369
Prepayments and other receivables	23	**45,800**	15,115
Financial assets at FVTOCI	24	**119,662**	224,366
Other non-current assets		**300**	300
		6,488,798	6,338,888
Current assets			
Prepaid lease payments	13	**–**	5,408
Inventories	21	**54,356**	56,982
Contract assets	22	**46,606**	93,038
Trade and other receivables	23	**1,235,678**	1,154,856
Amounts due from associates	19	**31,344**	30,736
Amounts due from joint ventures	20	**38,022**	37,589
Promissory note receivable		**–**	8,311
Financial assets at FVTPL	25	**220,234**	220,918
Cash and bank balances	26	**542,298**	281,604
		2,168,538	1,889,442

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and other payables	27	**466,495**	254,044
Contract liabilities	28	**173,720**	269,733
Bank and other borrowings	29	**2,167,410**	925,182
Lease liabilities	15	**35,587**	–
Obligations under finance leases	30	**–**	2,568
Convertible bonds	31	**373,412**	331,916
Embedded derivatives at FVTPL	31	**–**	6,003
		3,216,624	1,789,446
Net current (liabilities)/assets		**(1,048,086)**	99,996
Total assets less current liabilities		**5,440,712**	6,438,884
Capital and reserves			
Share capital	32	**714,236**	714,236
Reserves		**3,712,581**	4,314,506
Equity attributable to owners of the Company		**4,426,817**	5,028,742
Non-controlling interests		**144,260**	84,654
Total equity		**4,571,077**	5,113,396
Non-current liabilities			
Amounts due to joint ventures	20	**135,148**	72,145
Bank and other borrowings	29	**318,511**	555,578
Lease liabilities	15	**126,164**	–
Obligations under finance leases	30	**–**	63,659
Convertible bonds	31	**–**	326,325
Deferred tax liabilities	33	**289,812**	307,781
		869,635	1,325,488
		5,440,712	6,438,884

The consolidated financial statements on pages 109 to 229 were approved and authorised for issue by the Board of Directors on 15 May 2020 and are signed on its behalf by:

Mr. Cheng Ming Kit
Director

Mr. Hung Tao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Attributable to owners of the Company											
	Notes	Share capital HK$'000	Share premium HK$'000 (Note (a))	Share option reserve HK$'000 (Note 34)	Convertible note equity reserve HK$'000 (Note 31)	FVTOCI reserve HK$'000 (Note (b))	Merger reserve HK$'000 (Note (c))	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000 (Note (e))	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 31 December 2017 (as previously reported)		541,362	2,680,626	13,090	94,250	–	(43,048)	(62,310)	(6,029)	81,444	3,299,385	110,523	3,409,908
Adjustment on application of IFRS 9		–	–	–	–	20,379	–	–	–	(31,993)	(11,614)	(16,196)	(27,810)
At 1 January 2018 (as restated)		541,362	2,680,626	13,090	94,250	20,379	(43,048)	(62,310)	(6,029)	49,451	3,287,771	94,327	3,382,098
Profit for the year		–	–	–	–	–	–	–	–	260,657	260,657	859	261,516
Other comprehensive income/(loss):													
Item that is reclassified or may be reclassified subsequently to profit or loss													
Exchange difference arising on consolidation		–	–	–	–	–	–	–	(234,283)	–	(234,283)	(2,885)	(237,168)
Items that will not be reclassified to profit or loss													
Fair value changes on financial assets at FVTOCI		–	–	–	–	48,746	–	–	–	–	48,746	–	48,746
Total other comprehensive income/(loss)		–	–	–	–	48,746	–	–	(234,283)	–	(185,537)	(2,885)	(188,422)
Total comprehensive income/(loss) for the year		–	–	–	–	48,746	–	–	(234,283)	260,657	75,120	(2,026)	73,094
Transactions with equity holders													
Contributions and distributions													
Issue of shares by way of placing	32(a)	5,500	51,500	–	–	–	–	–	–	–	57,000	–	57,000
Issue of shares upon conversion of convertible bonds	32(b)	32,916	330,344	–	(94,250)	–	–	–	–	–	269,010	–	269,010
Issue of shares upon conversion of share options	32(c)	2,034	16,325	(4,313)	–	–	–	–	–	–	14,046	–	14,046
Issue of shares for acquisition of an associate	32(d)	132,424	1,191,816	–	–	–	–	–	–	–	1,324,240	–	1,324,240
Recognition of equity-settled share-based payments		–	–	1,555	–	–	–	–	–	–	1,555	–	1,555
Transfer to accumulated profits upon forfeiture of share options		–	–	(182)	–	–	–	–	–	182	–	–	–
Changes in ownership interests													
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	–	(10,391)	(10,391)
Capital injection from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	2,744	2,744
		172,874	1,589,985	(2,940)	(94,250)	–	–	–	–	182	1,665,851	(7,647)	1,658,204
At 31 December 2018		714,236	4,270,611	10,150	–	69,125	(43,048)	(62,310)	(240,312)	310,290	5,028,742	84,654	5,113,396

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000 (Note (a))	Share option reserve HK$'000 (Note 34)	Convertible note equity reserve HK$'000 (Note 31)	FVTOCI reserve HK$'000 (Note (b))	Merger reserve HK$'000 (Note (c))	Other reserve HK$'000 (Note (d))	Translation reserve HK$'000 (Note (e))	Accumulated profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	714,236	4,270,611	10,150	–	69,125	(43,048)	(62,310)	(240,312)	310,290	5,028,742	84,654	5,113,396
(Loss)/profit for the year	–	–	–	–	–	–	–	–	(10,871)	(10,871)	84,741	73,870
Other comprehensive loss:												
Item that is reclassified or may be reclassified subsequently to profit or loss												
Exchange difference arising on consolidation	–	–	–	–	–	–	–	(335,102)	–	(335,102)	(35,598)	(370,700)
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	–	–	–	(140,038)	–	(140,038)	–	(140,038)
Items that will not be reclassified to profit or loss												
Fair value changes on financial assets at FVTOCI	–	–	–	–	(116,442)	–	–	–	–	(116,442)	–	(116,442)
Total other comprehensive loss	–	–	–	–	(116,442)	–	–	(475,140)	–	(591,582)	(35,598)	(627,180)
Total comprehensive (loss)/income for the year	–	–	–	–	(116,442)	–	–	(475,140)	(10,871)	(602,453)	49,143	(553,310)
Transactions with equity holders												
Contributions and distributions												
Transfer to accumulated losses upon forfeiture of share options	–	–	(6,601)	–	–	–	–	–	6,601	–	–	–
Recognition of equity-settled share-based payments	–	–	528	–	–	–	–	–	–	528	–	528
Appropriation of statutory reserve	–	–	–	–	–	–	24,713	–	(24,713)	–	–	–
Changes in ownership interests												
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	4,605	4,605
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	5,858	5,858
	–	–	(6,073)	–	–	–	24,713	–	(18,112)	528	10,463	10,991
At 31 December 2019	714,236	4,270,611	4,077	–	(47,317)	(43,048)	(37,597)	(715,452)	281,307	4,426,817	144,260	4,571,077

Notes:

(a) Share premium 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).

(b) FVTOCI reserve comprises the accumulated gains and losses arising on the change in fair value of financial assets at FVTOCI that have been recognised in other comprehensive income, net of the amounts reclassified to profit or loss when those financial assets are disposed of or are determined to be impaired (if any).

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

(d) The statutory reserve amounted HK$24,713,000 was included in other reserve. As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC 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.

(e) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and translation of financial statements to presentation currency.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**97,038**	259,188
Adjustments for:		
Amortisation of intangible assets	**71,873**	71,873
Amortisation of prepaid lease payments	**–**	5,674
Depreciation of right-of-use assets	**19,059**	–
Depreciation of property, plant and equipment	**48,360**	64,084
(Reversal of)/Provision for impairment loss on trade and other receivables, net	**(5,749)**	21,325
Change in fair value of financial assets at FVTPL	**(1,869)**	56,886
Change in fair value of embedded derivatives at FVTPL	**(6,003)**	(53,438)
Interest income	**(33,226)**	(28,494)
Interest expenses	**244,162**	241,764
Share of profit of associates	**(305,712)**	(251,485)
Share of (profit)/loss of joint ventures	**(1,575)**	923
Gain on partial disposal of a joint venture	**–**	(2,625)
Gain arising from acquisition of an associate	**–**	(197,951)
Gain on deemed partial disposal of an associate	**–**	(1,588)
Gain on disposal of subsidiaries	**–**	(66,323)
Unrealised exchange gain, net	**(11,503)**	(54,895)
Government subsidies	**(82,052)**	–
Expenses for equity-settled share-based payment	**528**	1,555
Operating cash flows before movements in working capital	**33,331**	66,473
Changes in working capital:		
Inventories	**29,892**	(40,879)
Contract assets	**43,655**	(86,262)
Contract liabilities	**(92,611)**	100,119
Trade and other receivables	**86,550**	(61,387)
Trade and other payables	**(99,769)**	141,763
Cash generated from operations	**1,048**	119,827
Interest paid	**(112,463)**	(98,635)
Income tax paid	**(10,944)**	(19,704)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(122,359)**	1,488

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 *HK$'000*	2018 *HK$'000*
INVESTING ACTIVITIES			
Interest received		**6,248**	26,311
Loan to third parties		**(99,194)**	(427,195)
Repayment from consideration receivables		**145,797**	86,811
Repayment of construction cost payables		**(40,713)**	(55,073)
Purchases of property, plant and equipment		**(51,712)**	(34,427)
Proceeds from disposal of property, plant and equipment		**70,362**	–
Deposits paid for acquisition of subsidiaries		**(229,991)**	(185,402)
Investment in associates		**(5,277)**	(2,447)
Dividend received from an associate	19	**217,924**	144,500
Repayment from non-controlling shareholders of subsidiaries		**–**	12,447
Advance to associates		**(797)**	(11,871)
Advance to joint ventures		**–**	(22,050)
Purchase of financial assets at FVTPL		**(27,048)**	(143,068)
Purchase of financial assets at FVTOCI		**(3,070)**	(20,413)
Proceeds from disposal of financial assets at FVTPL		**11,569**	26,173
Proceeds from redemption of promissory note receivable		**8,750**	24,250
Proceeds from partial disposal of joint ventures		**–**	2,326
Net cash outflow for the acquisition of subsidiaries	38	**(71,809)**	–
Disposal of subsidiaries		**–**	(1,520)
NET CASH USED IN INVESTING ACTIVITIES		**(68,961)**	(580,648)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Proceeds from issue of shares by way of placing	**–**	57,000
Proceeds from issue of convertible bonds	**–**	180,000
Transaction cost attributable to issue of convertible bonds	**(7,892)**	(6,797)
Proceeds from exercise of share options	**–**	14,046
Repayment to non-controlling shareholders of subsidiaries	**–**	(155,703)
Proceeds from bank and other borrowings raised	**1,747,655**	839,382
Repayment of bank and other borrowings	**(741,486)**	(91,274)
Repayment of lease liabilities, net	**(13,612)**	–
Redemption of convertible bonds	**(404,810)**	–
Repayment from/(advance to) joint ventures	**64,047**	(43,760)
Capital contribution from non-controlling interests of subsidiaries	**5,858**	2,744
NET CASH FROM FINANCING ACTIVITIES	**649,760**	795,638
Net increase in cash and cash equivalents	**458,440**	216,478
Effect of foreign exchange rate changes, net	**(197,746)**	(62,599)
Cash and cash equivalents at the beginning of the reporting period	**281,604**	127,725
Cash and cash equivalents at the end of the reporting period, represented by cash and bank balances	**542,298**	281,604

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in natural gas related business.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). As the Company is a listed entity in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$. All amounts have been rounded to the nearest thousands, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

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

At 31 December 2019, the Group had unutilised banking facilities in aggregate of approximately HK$100,977,000. Subsequent to 31 December 2019, the Group is granted with additional bank facilities in aggregate of approximately HK$1,087,500,000 and issued corporate bonds amounting at principal amount of approximately HK$438,300,000 of which approximately HK$198,550,000 will be due more than one year. In addition, the management of the Group has prepared the Group's cash flow projections covering a period of not less than twelve months from 31 December 2019. Based on the cash flow projections, the management of the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. The management has made key assumptions on the projections with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank facilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going concern (Continued)

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the following new/revised IFRSs and effective from the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs:

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

Annual Improvements Project – 2015-2017 Cycle

IFRS 3: Previously held interest in a joint operation

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

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

IFRS 11: Previously held interest in a joint operation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new/revised IFRSs (Continued)

Annual Improvements Project – 2015-2017 Cycle (Continued)

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

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

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

IAS 23: Borrowing costs eligible for capitalisation

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

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

IFRIC-Int 23: Uncertainty over Income Tax Treatments

The IFRIC-Int 23 supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the IFRIC-Int 23 does not have any significant impact on the consolidated financial statements.

Amendments to IAS 19: Employee Benefits

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new/revised IFRSs (Continued)

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

IFRS 16: Leases

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

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

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

As lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new/revised IFRSs (Continued)

IFRS 16: Leases (Continued)

As lessee – leases previously classified as operating leases

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

(a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

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

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

(d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA; and

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

As lessee – leases previously classified as finance leases

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

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

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

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

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 5.26%.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new/revised IFRSs (Continued)

IFRS 16: Leases (Continued)

As lessee – leases previously classified as finance leases (Continued)

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

	HK$'000
Operating lease commitments at 31 December 2018	22,811
Lease liabilities discounted at relevant incremental borrowing rates	18,518
Less: recognition exemption on short-term/low value leases	(180)
Add: Impact of the early termination option	4,244
Add: Obligation under finance leases recognised at 31 December 2018	66,227
Lease liabilities at 1 January 2019	88,809

At the DIA, except for those that meet the definition of investment properties (if any), all other right-of-use assets were presented within the line item "right-of-use assets" on the consolidated statement of financial position. Besides, lease liabilities were shown separately on the consolidated statement of financial position.

As a result, adjustments were made at the DIA to reflect the changes in accounting policies:

	Carrying amounts on 31 December 2018 under IAS 17	**Adjustments – (Decrease) Increase**	**Carrying amounts on 1 January 2019 under IFRS16**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Prepaid lease payments	**41,579**	**(41,579)**	**–**
Property, plant and equipment	**620,677**	**(98,349)**	**522,328**
Right-of-use assets	**–**	**167,918**	**167,918**
Current asset			
Prepaid lease payments	**5,408**	**(5,408)**	**–**
Current liabilities			
Obligation under finance leases	**2,568**	**(2,568)**	**–**
Lease liabilities	**–**	**11,211**	**11,211**
Non-current liabilities			
Obligation under finance leases	**63,659**	**(63,659)**	**–**
Lease liabilities	**–**	**77,598**	**77,598**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new/revised IFRSs (Continued)

IFRS 16: Leases (Continued)

As lessee – leases previously classified as finance leases (Continued)

A summary of the significant accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for certain financial instruments which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

In the Company's statement of financial position which is presented within these notes, the investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and/or receivable.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are principally recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with *IAS 12 Income taxes and IAS 19 Employee benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with *IFRS 2 Share-based payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of gain or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures

An associate is an entity over which the Group has 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.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an interest in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate and joint ventures may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

In the consolidated financial statements, all individual financial statements of foreign operations, originally in a currency different from the Company's functional currency i.e. RMB, have been converted into RMB for consolidation. Assets and liabilities would then be translated into HK$, the Group's presentation currency, at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Exchange differences arising, if any, have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods and services, or for administrative purposes other than construction-in-progress ("CIP"), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

CIP represents buildings under construction for production or supply of goods or for administrative purposes. These are carried at cost less any impairment losses and are not depreciated. Cost comprises direct costs, such as cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use incurred during the periods of construction. CIP is reclassified as buildings and depreciation commences when the construction work is completed and the asset is ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than CIP) less their estimated residual value over their estimated useful lives using the straight-line method, at the following rates per annum:

Buildings	$6^2/_3$%
Plant and machinery – natural gas business	10%
Gas pipelines	Over the shorter of 30 years or operation period of the relevant entity
Furniture, fixtures and equipment	20%
Motor vehicles	30%
Leasehold improvements	Over the shorter of term of the lease or 5 years

The asset's estimated residual value, depreciation method and estimated useful live are reviewed, and adjusted if appropriate, at each reporting date.

Before 1 January 2019, assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and any subsequent impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The assets' amortisation method and estimated useful lives are reviewed, and adjusted if applicable, at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount of an asset is the higher of its fair value less costs of disposal, and value-in-use. 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 assessment of time value of money and the risk specific to the asset (or a cash-generating unit) for which the future cash flow estimates have not been adjusted.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flow s that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income/expense if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(a) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(b) Financial assets designated as at FVTOCI

Equity investments designated at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income/expense and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(c) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amounts due from joint ventures, amounts due from associates and cash and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(a) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(a) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history); ii) the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(b) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(i) significant financial difficulty of the issuer or the borrower;

(ii) a breach of contract, such as a default or past due event;

(iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(v) the disappearance of an active market for that financial asset because of financial difficulties.

(d) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(e) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors;

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Convertible notes contain debt component and equity component

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the debt component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the debt component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. The conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the debt component are included in the carrying amount of the debt component and are amortised over the lives of the convertible notes using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds contain debt component and derivative component

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial liabilities

The Group's financial liabilities included trade and other payables, bank and other borrowings, amounts due to non-controlling shareholders of subsidiaries and amounts due to joint ventures. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. They are subsequently measured at amortised cost, using the effective interest method.

Interest expense is recognised on an effective interest basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset when the contractual rights to receive cash flows from the financial assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

The Group derecognises financial liability when the obligation under the financial liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any). For classification in the statement of financial position, cash equivalents represent assets similar in nature to cash and which are not restricted as to use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Applicable from 1 January 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. 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.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office premises	over the term of lease
Gas pipeline	over the shorter of 30 years of operation period of the relevant entity
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	30%
Prepaid lease payments	over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessee (Continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable from 1 January 2019 (Continued)

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Applicable before 1 January 2019 (Continued)

As lessee (Continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

As lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land and building

Applicable before 1 January 2019

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

Before 1 January 2019, to the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. From 1 January 2019, those payments are accounted for as right-of-use assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation 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 and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if 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.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision makers, who are the executive directors of the Company, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill and operating rights of the Group's subsidiaries

Determining whether goodwill and operating rights are impaired requires an estimation of the value in use of the cash generating units to which goodwill and operating rights have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. When the actual future cash flows are more than expected, a reversal of previously recognised impairment loss on operating rights (if any) may arise.

Estimation of depreciation of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging report or internal credit rating as groupings of various debtors that have similar credit patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 40 and 23 to the consolidated financial statements, respectively.

Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair value to be assigned to the identified assets and liabilities of the acquired entities. The fair value of the identified assets are determined by reference to the valuation performed by an independent professional valuer where applicable. Any changes in assumptions used and estimates made in determining the fair value will impact the carrying amount of these assets and liabilities. Details of the Group's acquisition of subsidiaries are set out in Note 38 to the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future changes in IFRSs

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to IASs 1 and 8	Definition of Material [1]
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform[1]
Amendments to IFRS 3	Definition of a Business [2]
IFRS 17	Insurance Contracts [3]
Amendments to IAS 1	Classification of Liabilities as Current or non-Current [4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for annual periods beginning on or after 1 January 2022

5 The effective date to be determined

The management of the Group does not anticipate that the adoption of these new/revised IFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

3. REVENUE

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

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

3. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	*HK$'000*
Types of sale channels and nature of goods and services rendered		
Natural gas refuelling station		
Liquefied natural gas ("LNG")	**75,883**	46,673
Compressed natural gas ("CNG")	**77,988**	126,332
	153,871	173,005
Trading and distribution of natural gas		
LNG	**1,349,855**	883,144
CNG	**14,903**	6,006
Fuel oil and other related oil by-products	**162,347**	27,980
	1,527,105	917,130
City Gas, pipeline construction fee, value-added service and others		
LNG	**427,402**	363,337
CNG	**412,976**	439,766
Pipeline construction fee	**68,283**	209,858
Other related products	**86,492**	45,384
	995,153	1,058,345
	2,676,129	2,148,480

3. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

	Natural gas refuelling station HK$'000	Trading and distribution of natural gas HK$'000	City Gas, pipeline construction fee, value-added service and others HK$'000	Total HK$'000
Year ended 31 December 2019				
Timing of revenue recognition				
At a point in time	153,871	1,527,105	926,870	2,607,846
Over time	–	–	68,283	68,283
	153,871	1,527,105	995,153	2,676,129
Year ended 31 December 2018				
Timing of revenue recognition				
At a point in time	173,005	917,130	848,487	1,938,622
Over time	–	–	209,858	209,858
	173,005	917,130	1,058,345	2,148,480

All the revenue from customers are derived from the PRC for the years ended 31 December 2019 and 2018.

(b) Performance obligations for contract with customers

Natural gas refuelling station/trading and distribution of natural gas

For CNG and LNG refuelling stations for vehicles and distributing and trading of CNG and LNG 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 refuelling process have completed and the gas has been delivered to the wholesaler's specific location respectively. Transportation and other related activities that incurred 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, 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 refuelling station, customers are required to purchase an oil card and top up the advance payment stored in the card for future usage of natural gas to be supplied by the Group. The Group requires advance payment before the usage of natural gas through oil card. Any shortage resulted in the oil, the group grant a normal credit term of 30 days upon the issue of monthly statement of the oil card.

3. REVENUE (Continued)

(b) Performance obligations for contract with customers (Continued)

City Gas, pipeline construction fee, value-added service and others

For sales 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 are supplied to and consumed by the end users. The normal credit term is 90 days upon delivery.

For pipeline construction fee, the Group provides gas pipeline construction services under construction contracts with its customers. Such contracts are entered into before construction of the gas pipeline begins. The Group's performance creates and enhances an asset that the customer controls as the Group performs. Revenue from construction of gas pipeline 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 this 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 exceed the amount of the deposits. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract asset for any work performed in excess of payment from 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 allows an average credit period of 90 days to its customers.

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

All sales of natural gas contracts and pipeline construction contracts are for original expected duration of one year or less. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

4. SEGMENT INFORMATION

Information reported to the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on sale channel and nature of the goods being sold or services rendered. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

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

2. Trading and distribution of natural gas – distributing and trading CNG, LNG fuel oil and other related oil by-products as a wholesaler to industrial and commercial users

3. City Gas, pipeline construction fee, value-added service and others – sales of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service, such as repair and maintenance service, pipeline construction fee 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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2019

	Natural gas refuelling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *HK$'000*	Consolidation *HK$'000*
External segment revenue	153,871	1,527,105	995,153	2,676,129
Inter-segment sales	–	356,801	57,227	414,028
	153,871	1,883,906	1,052,380	3,090,157
Segment profit	7,013	17,873	467,914	492,800
Unallocated other income and other gains and losses				65,407
Central corporate expenses				(217,007)
Finance costs				(244,162)
Profit before taxation				97,038

Inter-segment sales are charged at prevailing market rates.

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Natural gas refuelling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *HK$'000*	Consolidation *HK$'000*
External segment revenue	173,005	917,130	1,058,345	2,148,480
Inter-segment sales	–	211,624	72,423	284,047
	173,005	1,128,754	1,130,768	2,432,527
Segment profit	9,065	50,736	503,809	563,610
Unallocated other income and other gains and losses				100,383
Central corporate expenses				(163,041)
Finance costs				(241,764)
Profit before taxation				259,188

Inter-segment sales are charged at prevailing market rates.

Segment profit for the year ended 31 December 2018 consists of gain arising from acquisition of an associate of approximately HK$197,951,000 (Note 19), gain on disposal of subsidiaries of approximately HK$66,323,000, gain on deemed partial disposal of an associate of approximately HK$1,588,000 and gain on partial disposal of joint ventures of approximately HK$2,625,000. Details in respect of gain on disposal of subsidiaries are as follows:

(i) Disposal of 60% equity interests in Focus On Group Limited and a wholly owned subsidiary of the Company, Shandong Power Energy Company Limited, at a cash consideration of HK$55,000,000 (the "Shandong Disposal") to an independent third party. The Shandong Disposal results in a gain on disposal of a subsidiary of approximately HK$8,948,000.

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

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

(iii) Disposal of 60% equity interests in Waypost Limited, a partially owned subsidiary, at a cash consideration of HK$22,000,000 (the "Waypost Disposal") to an independent third party. The Waypost Disposal results in a gain on disposal of a subsidiary of approximately HK$21,335,000.

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

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

Segment assets and liabilities

Segment assets

	2019 ***HK$'000***	2018 *HK$'000*
Natural gas refuelling station	**905,339**	914,113
Trading and distribution of natural gas	**139,198**	174,324
City Gas, pipeline construction fee, value-added service and others	**6,292,457**	6,031,138
Total segment assets	**7,336,994**	7,119,575
Property, plant and equipment for corporate use	**4,572**	4,018
Right-of-use assets for corporate use	**11,436**	–
Prepayments	**6,722**	15,115
Financial assets at FVTOCI	**119,662**	224,366
Promissory note receivable	**–**	8,311
Financial assets at FVTPL	**220,234**	220,918
Cash and bank balances	**542,298**	281,604
Other unallocated assets	**415,418**	354,423
Consolidated assets	**8,657,336**	8,228,330

4. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2019	2018
	HK$'000	*HK$'000*
Natural gas refuelling station	**50,688**	46,003
Trading and distribution of natural gas	**15,606**	32,131
City Gas, pipeline construction fee, value-added service and others	**1,135,896**	869,504
Total segment liabilities	**1,202,190**	947,638
Bank and other borrowings	**2,485,921**	1,480,760
Unallocated lease liabilities	**11,753**	–
Unallocated obligation under finance leases	**–**	386
Convertible bonds	**373,412**	658,241
Embedded derivatives at FVTPL	**–**	6,003
Other unallocated liabilities	**12,983**	21,906
Consolidated liabilities	**4,086,259**	3,114,934

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

- all assets are allocated to operating and reportable segments (other than property, plant and equipment for corporate use, right-of-use assets for corporate use, prepayments, financial assets at FVTOCI, promissory note receivable, financial assets at FVTPL, cash and bank balances, and other assets not attributable to segment); and

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, unallocated lease liabilities, unallocated obligation under finance leases, convertible bonds, embedded derivatives at FVTPL and other unallocated liabilities not attributable to segment).

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

4. SEGMENT INFORMATION (Continued)

Other segment information

2019	Natural gas refuelling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets (excluding goodwill)	38,076	2,166	386,896	43,060	470,198
Addition to goodwill	–	4,973	330,704	–	335,677
Depreciation of property, plant and equipment	4,576	158	42,914	712	48,360
Depreciation of right-of-use assets	1,533	–	11,174	6,352	19,059
Amortisation of intangible assets	4,088	3,513	64,272	–	71,873
Interests in associates	183,739	–	1,587,579	–	1,771,318
Interests in joint ventures	–	–	360,346	–	360,346
Share of (loss)/profit of associates	(1,532)	–	307,244	–	305,712
Share of profit of joint ventures	–	–	1,575	–	1,575
Reversal of/(Provision for) impairment losses on trade receivables	1,639	(18,097)	38,698	16	22,256
Provision for impairment losses on other receivables	–	–	(14,913)	(1,594)	(16,507)

4. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2018	Natural gas refuelling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas, pipeline construction fee, value-added service and others *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Cost for acquisition of an associate	–	–	1,324,240	–	1,324,240
Gain arising from acquisition of an associate	–	–	197,951	–	197,951
Addition to non-current assets	9,546	13,740	202,223	4,053	229,562
Depreciation of property, plant and equipment	7,681	142	55,258	1,003	64,084
Amortisation of prepaid lease payments	424	–	5,250	–	5,674
Amortisation of intangible assets	4,088	–	67,785	–	71,873
Interests in associates	186,605	–	1,635,010	–	1,821,615
Interests in joint ventures	–	–	355,445	–	355,445
Share of profit of associates	556	–	250,929	–	251,485
Share of loss of joint ventures	–	–	(923)	–	(923)
Gain recognised on disposal of subsidiaries	14,416	21,624	30,283	–	66,323
Provision for impairment losses on trade receivables	–	–	(21,325)	–	(21,325)

Geographical information

The Group's operations are located in the PRC.

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

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

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

4. SEGMENT INFORMATION (Continued)

Information about major customers

None of the customers individually contributed 10% or more of the Group during the years ended 31 December 2019 and 2018.

5. OTHER GAINS AND LOSSES

	Notes	2019 HK$'000	2018 HK$'000
Government grants		**18,175**	12,678
Government subsidies	23(d)	**82,052**	–
Net exchange gain		**11,409**	54,895
Changes in fair value of embedded derivatives at FVTPL	31	**6,003**	53,438
Changes in fair value of financial assets mandatorily measured at FVTPL			
– Held for trading		**(3,260)**	(11,275)
– Others		**5,129**	(45,611)
		119,508	64,125

6. OTHER INCOME

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

7. FINANCE COSTS

	Note	2019 HK$'000	2018 HK$'000
Finance charges on lease liabilities		**13,454**	–
Finance charges on obligations under finance leases		**–**	7,301
Interest on bank borrowings		**19,433**	6,458
Interest on other borrowings		**64,206**	52,565
Interest on convertible bonds	31	**147,069**	175,440
		244,162	241,764

8. PROFIT BEFORE TAXATION

This is stated after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Employee benefit expenses		
(including directors' emoluments)		
Salaries, bonuses and other benefits	**99,794**	96,656
Contribution to defined contribution plans	**17,278**	18,541
Share-based payment (included in "Administrative expenses")	**528**	1,555
	117,600	116,752
Other items		
Auditor's remuneration	**2,400**	3,000
Amortisation of intangible assets		
(included in "Cost of Sales")	**71,873**	71,873
Amortisation of prepaid lease payments	**–**	5,674
Cost of inventories recognised as expense	**2,310,587**	1,715,137
Depreciation of property, plant and equipment	**48,360**	64,084
Depreciation of right-of-use assets	**19,059**	–
Legal and professional fees (included in "Other expenses")	**11,345**	9,547
Other rental and related expenses	**1,458**	10,805
(Reversal of)/provision for impairment losses on:		
Trade receivables	**(22,256)**	21,325
Other receivables	**16,507**	–
	(5,749)	21,325

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's emoluments

The remuneration paid or payable to each of the directors are as follows:

Year ended 31 December 2019	Fee	Salaries and allowances	Discretionary bonuses	Contribution to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Cheng Ming Kit (Note (iv))	–	2,982	2,037	18	5,037
Mr. Hung Tao	–	822	70	18	910
Mr. Jin Qiang (Note (i))	–	186	–	40	226
Mr. Li Weiqi (Note (i))	–	534	–	116	650
Mr. Sze Chun Lee (Note (ii))	–	–	–	–	–
Non-executive director					
Mr. Zhi Xiaoye	–	–	–	–	–
Independent non-executive directors					
Mr. Lim Siang Kai	292	–	–	–	292
Mr. Ma Arthur On-hing	120	–	–	–	120
Mr. Pang Siu Yin	120	–	–	–	120
Mr. Wee Piew	207	–	–	–	207
	739	4,524	2,107	192	7,562

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Year ended 31 December 2018	Fee	Salaries and allowances	Discretionary bonuses	Contribution to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Cheng Ming Kit (Note (iv))	–	2,982	1,000	18	4,000
Mr. Hung Tao	–	822	–	18	840
Mr. Li Weiqi (Note (i))	–	819	–	149	968
Mr. Sze Chun Lee (Note (ii))	–	–	–	–	–
Mr. Tam Man Kin (Note (iii))	–	1,581	330	15	1,926
Mr. Hu Xiaoming (Note (iv))	–	–	–	–	–
Non-executive director					
Mr. Zhi Xiaoye	–	–	–	–	–
Independent non-executive directors					
Mr. Lim Siang Kai	296	–	–	–	296
Mr. Ma Arthur On-hing	120	–	–	–	120
Mr. Pang Siu Yin	120	–	–	–	120
Mr. Wee Piew	212	–	–	–	212
	748	6,204	1,330	200	8,482

Mr. Cheng Ming Kit's emoluments disclosed above included those for services rendered by him as chief executive officer (appointed on 19 January 2018) during the years ended 31 December 2019 and 2018.

The executive directors' and non-executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Discretionary bonus is determined by reference to several factors, including their individual performance and the performance of the Group.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(i) On 27 September 2019, Mr. Li Weiqi resigned as an executive director of the Company and Mr. Jin Qiang was appointed as an executive director of the Company.

(ii) Mr. Sze Chun Lee resigned as an executive director of the Company with effect from 4 February 2019.

(iii) Mr. Tam Man Kin resigned as an executive director of the Company with effect from 13 October 2018.

(iv) Mr. Hu Xiaoming resigned as an executive director of the Company and chief executive officer of the Company with effect from 19 January 2018. On same day, Mr. Cheng Ming Kit was appointed as the chief executive officer of the Company.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2018: two directors), details of whose remuneration are set out in the analysis presented above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries and other benefits	**3,219**	3,039
Performance related bonuses	**468**	290
Contribution to defined contribution plans	**155**	268
Share-based payments	**176**	501
	4,018	4,098

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals	
	2019	2018
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	1

During the years ended 31 December 2019 and 2018, 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. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

10. INCOME TAX (EXPENSE)/CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax – current year	**41,137**	15,640
Deferred tax		
Origination and reversal of temporary differences (Note 33)	**(17,969)**	(17,968)
Income tax expense/(credit) for the year	**23,168**	(2,328)

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the years ended 31 December 2019 and 2018.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% for the years ended 31 December 2019 and 2018.

Reconciliation of income tax

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation	**97,038**	259,188
Income tax at applicable tax rate of 25% (2018: 25%)	**24,260**	64,797
Tax effect of expenses not deductible for tax purpose	**70,537**	84,900
Tax effect of income not taxable for tax purpose	**(13,156)**	(103,445)
Tax effect of tax losses not recognised	**12,110**	9,754
Tax effect of share of results of associates and joint ventures	**(76,822)**	(62,641)
Effect of different tax rates of the subsidiaries operating in Hong Kong	**6,239**	4,307
Income tax expense/(credit) for the year	**23,168**	(2,328)

11. (LOSS)/EARNINGS PER SHARE

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

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

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

The computation of diluted loss per share does not assume the conversion of all outstanding convertible bonds issued by the Company and exercise of the Company's share options since their assumed exercise would result in decrease in loss per share for the year ended 31 December 2019.

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

12. DIVIDENDS

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

13. PREPAID LEASE PAYMENTS

	2018 *HK$'000*
Net carrying amount	
At the beginning of the reporting period	56,355
Amortisation	(5,674)
Exchange realignments	(3,694)
At the end of the reporting period	46,987

Analysed for reporting purposes as:

	2018 *HK$'000*
Non-current portion	41,579
Current portion	5,408
	46,987

Upon the adoption of IFRS 16 on 1 January 2019, the prepaid lease payments are presented under right-of-use assets.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Gas pipelines	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2018	85,526	88,213	440,515	144,811	4,106	24,671	3,387	791,229
Additions	18,678	704	1,205	10,665	1,467	1,240	90	34,049
Disposal of subsidiaries	(7,944)	(1,198)	–	(45,272)	(95)	–	–	(54,509)
Transfers	(21,127)	5,697	5,113	10,317	–	–	–	–
Exchange realignments	(5,399)	(5,034)	(22,960)	(8,186)	(178)	(1,403)	(66)	(43,226)
At 31 December 2018 and 1 January 2019	69,734	88,382	423,873	112,335	5,300	24,508	3,411	727,543
Effect of IFRS 16	–	–	(98,460)	(9,442)	(46)	(8,576)	–	(116,524)
Disposals	–	–	(79,014)	(6,165)	(63)	–	–	(85,242)
Additions	39,403	271	642	10,146	202	1,122	–	51,786
Acquisition of subsidiaries (Note 38)	1,436	–	–	33,795	74	–	–	35,305
Transfers	(34,709)	1,426	31,088	2,195	–	–	–	–
Exchange realignments	(1,311)	(1,577)	(4,693)	(1,501)	(81)	(309)	(20)	(9,492)
At 31 December 2019	74,553	88,502	273,436	141,363	5,386	16,745	3,391	603,376
ACCUMULATED DEPRECIATION								
At 1 January 2018	–	10,851	12,109	27,801	1,775	9,345	1,443	63,324
Provided for the year	–	6,843	33,845	17,649	1,162	3,954	631	64,084
Disposal of subsidiaries	–	(142)	–	(13,974)	(80)	–	–	(14,196)
Exchange realignments	–	(832)	(1,991)	(2,940)	(120)	(420)	(33)	(6,336)
At 31 December 2018 and 1 January 2019	–	16,720	43,963	28,536	2,737	12,879	2,041	106,876
Effect of IFRS 16	–	–	(10,450)	(4,263)	(24)	(3,438)	–	(18,175)
Disposals	–	–	(12,193)	(730)	(1)	–	–	(12,924)
Provided for the year	–	5,735	25,332	14,810	690	1,558	235	48,360
Exchange realignments	–	(377)	(621)	(556)	(48)	(201)	(13)	(1,816)
At 31 December 2019	–	22,078	46,031	37,797	3,354	10,798	2,263	122,321
CARRYING VALUES								
At 31 December 2019	74,553	66,424	227,405	103,566	2,032	5,947	1,128	481,055
At 31 December 2018	69,734	71,662	379,910	83,799	2,563	11,629	1,370	620,667

The buildings of the Group are situated in the PRC.

As at 31 December 2019, certain buildings of the Group with total net carrying values of approximately HK$2,427,000 (2018: Nil) were pledged as security for the Group's bank borrowings amounting to HK$19,014,000 (2018: Nil).

15. LEASES

	At 31 December 2019 *HK$'000*
Right-of-use assets (Note (a))	**222,832**
Lease liabilities (Note (b))	
Current	**35,587**
Non-current	**126,164**
	161,751

(a) Right-of-use assets

	Office premises *HK$'000*	Gas pipeline *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Prepaid lease payments *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – year ended 31 December 2019							
At 1 January 2019 – upon adoption of IFRS 16	22,582	88,010	5,179	22	5,138	46,987	167,918
Additions	5,205	66,821	5,435	62	–	–	77,523
Acquisition of subsidiaries (Note 38)	–	–	1,251	–	–	–	1,251
Depreciation	(7,760)	(6,834)	(1,469)	(14)	(582)	(2,400)	(19,059)
Exchange realignments	(360)	(2,589)	(976)	(1)	(84)	(791)	(4,801)
	19,667	145,408	9,420	69	4,472	43,796	222,832
At 31 December 2019							
Cost	27,315	152,143	10,866	82	5,048	46,163	241,617
Accumulated depreciation	(7,648)	(6,735)	(1,446)	(13)	(576)	(2,367)	(18,785)
	19,667	145,408	9,420	69	4,472	43,796	222,832

The net cash outflow for leases for the year ended 31 December 2019 was approximately HK$13,612,000.

As at 31 December 2019, certain right-of-use assets of the Group with a total carrying amount of approximately HK$7,522,000 (2018: HK$7,981,000) with remaining lease terms of 17 years to 33 years (2018: 18 years to 34 years) were pledged as security for the Group's bank borrowings.

15. LEASES (Continued)

(b) Commitments and present value of lease liabilities

At 31 December 2019

	Lease payments HK$'000	Present value of lease payments HK$'000
Amounts payable:		
Within 1 year	44,102	35,587
More than 1 year but within 2 years	39,023	32,487
More than 2 years but within 5 years	98,609	90,087
More than 5 years	4,239	3,590
	185,973	
Less: future finance charges	(24,222)	
	161,751	161,751
Analyzed for reporting purpose as:		
Non-current portion		126,164
Current portion		35,587
		161,751

At the end of 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office properties, berth, carpark and staff quarters which fall due as follows:

	2018 HK$'000
Within one year	6,268
In the second to fifth years inclusive	12,154
More than five years	4,389
	22,811

The leases run for an initial period ranging from one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The leases do not include contingent rentals.

16. INTANGIBLE ASSETS

	Operating rights
	HK$'000
COST	
At 1 January 2018, 31 December 2018 and **31 December 2019**	**1,398,649**
ACCUMULATED AMORTISATION	
At 1 January 2018	92,155
Charged for the year	71,873
At 31 December 2018 and 1 January 2019	164,028
Charged for the year	71,873
At 31 December 2019	**235,901**
CARRYING VALUES	
At 31 December 2019	**1,162,748**
At 31 December 2018	1,234,621

The operating rights of natural gas refuelling station, trading and distribution of natural gas and city gas operations in the PRC are amortised on a straight-line method over the period of 10 to 30 years pursuant to the terms of the rights granted. Particulars regarding impairment testing on intangible assets are disclosed in Note 18 to the consolidated financial statements.

17. GOODWILL

	HK$'000
COST	
At 1 January 2018	1,212,765
Disposal of subsidiaries	(73,034)
At 31 December 2018 and 1 January 2019	1,139,731
Acquisition of subsidiaries (Note 38)	335,677
At 31 December 2019	**1,475,408**
CARRYING VALUES	
At 31 December 2019	**1,475,408**
At 31 December 2018	1,139,731

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired. Particulars regarding impairment testing on goodwill are disclosed in Note 18 to the consolidated financial statements.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

The management considers each subsidiary represents a separate CGU for the purpose of goodwill and intangible assets impairment testing. The carrying amounts of goodwill and operating rights of subsidiaries at 31 December 2019 and 2018 are allocated as follows:

	At 31 December 2019	
	Goodwill	**Operating rights**
	HK$'000	***HK$'000***
Subsidiaries engaged in natural gas refuelling station, trading and distribution of natural gas and city gas operations		
Smart Union Holdings Limited ("Smart Union")	**–**	**3,500**
Cloud Decade Limited ("Cloud Decade")	**268,362**	**353,463**
Shine Great Investments Limited ("Shine Great")	**3,549**	**94,590**
Energy Shell Limited ("Energy Shell")	**157,329**	**–**
Haikou Xinyuan Natural Gas Technology Co., Ltd. ("Haikou Xinyuan")	**113,594**	**–**
Diamond Maple Limited ("Diamond Maple")	**100,204**	**17,851**
Day Zone Limited ("Day Zone")	**140,815**	**–**
OctoNet Limited and August Zone Limited ("OctoNet and August Zone Group")	**224,154**	**387,615**
Top Grand Global Limited ("Top Grand")	**131,724**	**305,729**
Rainbow Leap Limited ("Rainbow Leap") (Note 38)	**330,704**	**–**
上海萬興能源技術有限公司 (Shanghai Wanxing Energy Technology Co., Ltd*) ("Shanghai Wanxing") (Note 38)	**4,973**	**–**
	1,475,408	**1,162,748**

* English translation is for identification purpose only.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (Continued)

	At 31 December 2018	
	Goodwill	Operating rights
	HK$'000	*HK$'000*
Subsidiaries engaged in natural gas refuelling station, trading and distribution of natural gas and city gas operations		
Smart Union	–	3,500
Cloud Decade	268,362	369,351
Shine Great	3,549	98,679
Energy Shell	157,329	–
Haikou Xinyuan	113,594	–
Diamond Maple	100,204	21,364
Day Zone	140,815	–
OctoNet and August Zone Group	224,154	415,280
Top Grand	131,724	326,447
	1,139,731	1,234,621

The recoverable amounts of these CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering 5-year period, and discount rate ranging from 11% to 17% (2018: 11% to 19%). In addition to the committed/intended future customers orders and specific circumstances, the cash flows for the financial budgets are using an average growth rate ranging from 4% to 9% (2018: 3% to 20%) for a 5-year period depending on the stage of development of the respective natural gas operations. The cash flows beyond this 5-year period are extrapolated using a 3% (2018: 3%) growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budget sales and gross margin, such estimation based on the CGUs' past performance and management's expectations for the market development.

In view of the recoverable amounts exceed the carrying amounts of the above CGUs, the Group's management is of the opinion that there is no impairment of goodwill and operating rights allocated to the above CGUs during the years ended 31 December 2019 and 2018.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (Continued)

Sensitivity of key assumptions

The management identified the following key assumptions in which a reasonably possible change on an individual basis would cause any impairment loss.

Reasonably possible changes that individually cause any impairment loss:

	Increase of impairment		
	Average growth rate – decrease 1%	**Discount rate – increase 1%**	**Long-term growth rate – decrease 1%**
	HK$'000	*HK$'000*	*HK$'000*
Subsidiaries engaged in natural gas refuelling station, trading and distribution of natural gas and city gas operations			
Smart Union	N/A	N/A	N/A
Cloud Decade	N/A	30,139	13,362
Shine Great	7,716	5,301	2,903
Energy Shell	16,612	18,635	13,043
Haikou Xinyuan	10,916	12,593	6,665
Diamond Maple	112,464	N/A	N/A
Day Zone	34,334	6,595	1,338
OctoNet and August Zone Group	N/A	N/A	N/A
Top Grand	N/A	8,484	N/A
Rainbow Leap	280,596	N/A	N/A
Shanghai Wanxing	4,972	582	N/A

19. INTERESTS IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Carrying amounts of the Group's interests in associates	**1,771,318**	1,821,615

19. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2019 and 2018, the Group had material interests in the following associates:

Name of entities	Principal place of business and place of incorporation	Proportion of nominal value of issued capital and voting rights held by the Group	Principal activities
中石油京唐液化天然氣有限公司 (PetroChina Jingtang LNG Co., Ltd.*) ("PetroChina Jingtang")	The PRC	29% (Note)	Provision of port facilities for vessels, receiving, storage and re-gasification of liquefied natural gas
海南大眾天然氣開發利用有限公司 (Hainan Dazhong Natural Gas Development Co., Ltd.*) ("Hainan Dazhong")	The PRC	26%	Sales and distribution of LNG through gas refuelling station for vehicles
六盤水中石油昆侖燃氣有限公司 (Liu Pan Shui Zhong Shi You Kunlun Natural Gas Co., Ltd.*) ("Liu Pan Shui")	The PRC	40%	Sales and distribution of LNG through gas refuelling station for vehicles
海南中油嘉潤天然氣有限公司 (Hainan Zhongyou Jiarun Natural Gas Co., Ltd*) ("Jiarun")	The PRC	40%	Sales and distribution of LNG through gas refuelling station for vehicles
合肥昆侖能源有限公司 (Hefei Kulun Energy Company Limited*) ("Heifei Kulun")	The PRC	30%	Sales and distribution of LNG through gas refuelling station for vehicles
寧夏北藍基金管理有限公司	The PRC	35%	Equity investment and asset management
寧夏明創基金管理有限公司	The PRC	39%	Equity investment and asset management
霍爾果斯北燃星潤藍天基金管理有限公司	The PRC	35%	Equity investment and asset management

* English translation is for identification purpose only.

Note:

On 28 December 2017, the Company entered into a sale and purchase agreement with (i) Beijing Gas Company Limited ("Beijing Gas HK"), a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company; and (ii) Beijing Gas Group Company Limited, a company incorporated in the PRC with limited liability and having 100% interest in Beijing Gas HK, pursuant to which the Company has conditionally agreed to acquire and Beijing Gas HK has conditionally agreed to sell all of the issued share capital of Beijing Gas JingTang Company Ltd which indirectly owns 29% equity interest in PetroChina Jingtang (the "JingTang Acquisition"). In accordance with the terms and conditions thereof, the consideration for the JingTang Acquisition was satisfied by issuance of 2,407,708,800 new ordinary shares to Beijing Gas HK or its designated wholly-owned subsidiary on the completion date. The JingTang Acquisition was duly passed at the special general meeting of the Company on 16 May 2018 and completed on 6 June 2018. The JingTang Acquisition constitutes connected transaction under the Listing Rules and related party transaction in accordance with IFRSs.

19. INTERESTS IN ASSOCIATES (Continued)

Note: (Continued)

On 6 June 2018, the fair value of the 2,407,708,800 new ordinary shares issued was approximately HK$1,324,240,000 by reference to the quoted price of HK$0.55 per share and the fair value of 29% equity interest in PetroChina Jingtang was approximately HK$1,522,191,000 by reference to the valuation report issued by an independent professional valuer. Therefore, the Group recognised a gain arising from acquisition of associate of approximately HK$197,951,000 in profit or loss, representing the excess between the fair value of 29% equity interest in PetroChina Jingtang in its entirety and the fair value of share consideration on 6 June 2018.

Financial information of individually material associates

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

PetroChina Jingtang

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**29%**	29%
Non-current assets	**5,442,439**	5,841,827
Current assets	**906,439**	1,054,199
Current liabilities	**(576,293)**	(1,265,181)
Non-current liabilities	**(295,287)**	–
Net assets	**5,477,298**	5,630,845
Share of net assets by the Group and carrying amount of the Group's ownership interest	**1,588,416**	1,632,945

19. INTERESTS IN ASSOCIATES (Continued)

Financial information of individually material associates (Continued)

PetroChina Jingtang (Continued)

	Year ended 31 December 2019 *HK$'000*	From 6 June 2018 (date of acquisition) to 31 December 2018 *HK$'000*
Proportion of the Group's ownership interest	**29%**	29%
Revenue for the year/period	**2,192,939**	1,566,846
Profit for the year/period	**1,069,170**	880,188
Total comprehensive income for the year/period	**597,915**	880,188
Dividend received from associate for the year/period	**217,924**	144,500

Jiarun

	At 31 December	
	2019 *HK$'000*	2018 *HK$'000*
Proportion of the Group's ownership interest	**40%**	40%
Non-current assets	**11,064**	38,796
Current assets	**39,811**	17,471
Current liabilities	**(38,797)**	(40,194)
Non-current liabilities	**(25,961)**	(22,770)
Net liabilities	**(13,883)**	(6,697)
Share of net liabilities by the Group	**(5,553)**	(2,679)
Goodwill	**74,422**	77,472
Carrying amount of the Group's ownership interest	**68,869**	74,793

19. INTERESTS IN ASSOCIATES (Continued)

Financial information of individually material associates (Continued)

Jiarun (Continued)

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**40%**	40%
Revenue for the year	**37,111**	186,005
Loss for the year	**(7,410)**	(1,425)
Total comprehensive loss for the year	**(14,811)**	(1,425)

Hefei Kulun

	At 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**30%**	30%
Non-current assets	**6,239**	19,899
Current assets	**20,987**	10,631
Current liabilities	**(20,311)**	(21,548)
Non-current liabilities	**(15,125)**	(12,524)
Net liabilities	**(8,210)**	(3,542)
Share of net liabilities by the Group	**(2,463)**	(1,063)
Goodwill	**56,604**	56,468
Carrying amount of the Group's ownership interest	**54,141**	55,405

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**30%**	30%
Revenue for the year	**25,771**	149,667
Loss for the year	**(4,797)**	(6,003)
Total comprehensive loss for the year	**(4,215)**	(6,003)

19. INTERESTS IN ASSOCIATES (Continued)

Financial information of individually immaterial associates

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates that are not individually material and accounted for using the equity method.

	2019	2018
	HK$'000	*HK$'000*
Aggregate carrying amount of the Group's interests in these associates	**59,892**	58,472
The Group's share of profit for the year/period from the respective dates of acquisition to 31 December	**624**	568
The Group's share of total comprehensive (loss) income for the year/period from the respective dates of acquisition to 31 December	**(3,857)**	568

Amounts due from associates

The amounts due are unsecured, interest-free and repayable on demand.

20. INTERESTS IN JOINT VENTURES

	2019	2018
	HK$'000	*HK$'000*
Carrying amounts of the Group's interests in joint ventures	**360,346**	355,445

20. INTERESTS IN JOINT VENTURES (Continued)

As at 31 December 2019 and 2018, the Group had material interests in the following joint ventures:

Name of entities	Form of entities	Place of registration/ establishment	Proportion of interest held by the Group	Voting rights held by the Group	Principal activities/ principal place of operations
Brightjet Global Limited ("Brightjet")	Incorporated with limited liability	The British Virgin Islands (the "BVI")	55%	33% (Note)	Sales and distribution of LNG/The PRC
武漢正威力燃氣有限公司(Wuhan Zheng Weili Co. Ltd.*) ("Wuhan Zheng Weili")	Sino-foreign equity joint venture	The PRC	50%	33% (Note)	Sales and distribution of LNG/The PRC
New Phoenix Global Limited ("New Phoenix")	Incorporated with limited liability	The BVI	52%	33% (Note)	Sales and distribution of LNG/The PRC
錢唐融資租賃股份有限公司(Qian Tang Finance Lease Co. Ltd.*) ("Qian Tang")	Sino-foreign equity joint venture	The PRC	65%	50%	Finance leasing/The PRC

* English translation is for identification purpose only.

Note:

Pursuant to the shareholders' agreement entered into between the Group and the two other shareholders, each of the parties can reserve the rights to appoint or remove one director out of the three directors at the Board of Directors of each joint ventures respectively. The shareholders of each joint ventures have also contractually agreed to share control over each joint ventures, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of each joint ventures, require unanimous consents from all of the directors of each joint ventures. Accordingly, the Group has joint control over each joint ventures and the Group's in equity interest in each joint ventures is accounted for as investment in joint venture.

Financial information of individually material joint ventures

Summarised financial information of each of the material joint ventures of the Group is set out below, which represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

20. INTERESTS IN JOINT VENTURES (Continued)

Financial information of individually material joint ventures (Continued)

	At 31 December	
Brightjet	**2019**	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**55%**	55%
Non-current assets	**47,470**	43,767
Current assets	**16,046**	16,123
Current liabilities	**(61,702)**	(60,702)
Non-current liabilities	**(2,796)**	(2,325)
Net liabilities (Remarks)	**(982)**	(3,137)
Share of net liabilities by the Group	**(540)**	(1,725)
Goodwill	**38,857**	38,857
Carrying amount of the Group's ownership interest	**38,317**	37,132

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**55%**	55%
Revenue for the year	**22,677**	15,589
Loss for the year	**(3,530)**	(934)
Total comprehensive income/(loss) for the year	**2,155**	(934)

Remarks:

The assets and liabilities at 31 December 2019 included cash and cash equivalents amounting approximately HK$1,505,000 (2018: HK$3,806,000) and certain financial liabilities (current portion, excluding trade and other payables and provisions) amounting approximately Nil (2018: HK$2,277,000).

20. INTERESTS IN JOINT VENTURES (Continued)

Financial information of individually material joint ventures (Continued)

Qian Tang	**At 31 December**	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**65%**	65%
Non-current assets	**183,257**	102,255
Current assets	**95,667**	164,177
Current liabilities	**(27,436)**	(38,312)
Non-current liabilities	**(17,773)**	–
Net assets	**233,715**	228,120
Share of net assets by the Group	**151,915**	148,278
Goodwill	**7,090**	7,090
Carrying amount of the Group's ownership interest	**159,005**	155,368

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**65%**	65%
Revenue for the year	**13,205**	5,414
Profit for the year	**6,203**	165
Total comprehensive income for the year	**5,596**	165

20. INTERESTS IN JOINT VENTURES (Continued)

Financial information of individually material joint ventures (Continued)

New Phoenix	**At 31 December**	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**52%**	52%
Non-current assets	**21,557**	22,713
Current assets	**4,731**	1,623
Current liabilities	**(4,437)**	(4,765)
Non-current liabilities	**(4,875)**	(5,290)
Net assets	**16,976**	14,281
Share of net assets by the Group	**8,828**	7,426
Goodwill	**137,671**	137,671
Carrying amount of the Group's ownership interest	**146,499**	145,097

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Proportion of the Group's ownership interest	**52%**	52%
Revenue for the year	**32,142**	10,235
Loss for the year	**(791)**	(988)
Total comprehensive income (loss) for the year	**2,695**	(988)

Financial information of individually immaterial joint ventures

The table below shows, in aggregate, the carrying amount and the Group's share of results of joint ventures that are not individually material and accounted for using the equity method.

	2019	2018
	HK$'000	*HK$'000*
Aggregate carrying amount of the Group's interests in these joint ventures	**16,525**	17,848
The Group's share of loss for the year	**(104)**	–
The Group's share of total comprehensive loss for the year	**(1,323)**	–

Amounts due from/to joint ventures

The amounts due are unsecured, interest-free and due more than one year.

21. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Construction materials	**38,421**	43,121
LNG and other consumables	**15,935**	13,861
	54,356	56,982

22. CONTRACT ASSETS

	2019	2018
	HK$'000	*HK$'000*
Pipeline construction contracts	**46,606**	93,038

In the opinion of the directors of the Company, the contract assets as at 31 December 2019 and 2018 are expected to be realised within 12 months and therefore classified as current assets.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are pipeline construction contracts.

The change in balance as at 31 December 2019 is the result of the rights to consideration becomes unconditional upon the customers' satisfaction on the quality of the goods sold (2018: the increase in market demand in the PRC which result in increase in ongoing installation of pipeline at the end of the year).

Details of impairment assessment of contract assets are set out in Note 40 to the consolidated financial statements.

23. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables		**408,592**	208,003
Less: allowance of credit losses		**(47,690)**	(69,514)
Trade receivables, net	(a)	**360,902**	138,489
Prepayments	(b)	**307,148**	261,902
Consideration receivables		**–**	145,797
Loan and bond receivables	(c)	**406,186**	530,187
Other receivables	(d)	**207,242**	93,596
		1,281,478	1,169,971
Analysed for reporting purpose as:			
Non-current portion		**45,800**	15,115
Current portion		**1,235,678**	1,154,856
		1,281,478	1,169,971

Prepayments and loan receivables amounting approximately to HK$6,722,000 (2018: HK$15,115,000) and HK$39,078,000 (2018: Nil) respectively are expected to be recovered after more than 12 months.

Notes:

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

The followings is an aged analysis of trade receivables (net of allowance of credit losses) presented based on invoice dates, which approximate the respective revenue recognitions dates for sales of gas and the billing dates for work performed for construction contracts. The Group generally allows average credit period of 30 to 90 days to its customers.

	2019 HK$'000	2018 HK$'000
0 – 90 days	**333,868**	99,596
91 – 120 days	**5,310**	14,984
121 – 180 days	**1,648**	20,995
181 – 365 days	**20,076**	2,914
	360,902	138,489

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$27,034,000 (2018: HK$61,486,000) which are past due as at 31 December 2019. Out of the past due balances, approximately HK$20,076,000 (2018: HK$25,754,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

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

23. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) Loan and bond receivables, net of impairment loss of HK$1,593,000 (2018: Nil) at 31 December 2019 included:

(i) ten (2018: four) loan receivables of approximately HK$278,184,000 (2018: HK$457,170,000) in total. These loan receivables are short term loan advances to independent third parties, which are unsecured, interest bearing at 4% to 12% and repayable within one year; and

(ii) four (2018: three) bond receivables of approximately HK$128,002,000 (2018: HK$73,017,000) in total. These bond receivables are redeemable within one year from independent third parties, which are unsecured and interest bearing at 10% to 18%.

(d) Other receivables at 31 December 2019 mainly included government subsidies receivable of approximately HK$82,052,000 (2018: Nil) expected to settle within 3 years and a security deposits paid to government with net carrying amount of approximately HK$29,827,000 (2018: HK$45,540,000).

Details of impairment assessment of trade and other receivables are set out in Note 40 to the consolidated financial statements.

24. FINANCIAL ASSETS AT FVTOCI

The financial assets at FVTOCI are unlisted equity securities issued by four private entities established in the PRC. The investments mainly consist of 10% equity interest of 海南中油深南能源有限公司 (Hainan China Petroleum Shennan Energy Co., Limited*) ("Shennan Energy") with carrying value of approximately HK$101,784,000 (2018: HK$174,190,000) at 31 December 2019. Shennan Energy owns and operates a LNG receiving terminal in Haikou of Hainan Province, the PRC.

The directors of the Company have elected to designate these investments in financial assets at FVTOCI as they believe that recognising short-term fluctuations in fair value of these investments in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performances potential in the long run.

The Group engaged an independent qualified valuer in assisting to determine fair values of the unlisted equity securities. The management of the Group works closely with the independent qualified valuer to establish the appropriate valuation techniques and inputs to the model. The fair value gains and losses arising from changes in fair value will be recognised in other comprehensive income and accumulated in the FVTOCI reserve.

* English translation is for identification purpose only.

25. FINANCIAL ASSETS AT FVTPL

	2019 *HK$'000*	2018 *HK$'000*
Financial assets mandatorily measured at FVTPL:		
Convertible note receivables	–	17,848
Others (Note)	215,063	183,569
Financial assets classified as held for trading		
Equity securities listed in Hong Kong	5,171	19,501
	220,234	220,918

Note: Others represent investment security funds which hold equity securities listed in Hong Kong.

26. CASH AND BANK BALANCES

Bank balances carry interest at floating rates based on daily bank deposit rates.

As at 31 December 2019, bank balances that were placed with banks in the PRC amounted to approximately HK$501,385,000 (2018: HK$219,692,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

27. TRADE AND OTHER PAYABLES

	Note	2019 *HK$'000*	2018 *HK$'000*
Trade payables	(a)	354,788	192,096
Other payables			
Accrued charges and other creditors	(b)	89,578	36,911
Other payable in relation to issue of convertible bonds		–	7,892
Construction cost payables	(c)	22,129	17,145
		466,495	254,044

27. TRADE AND OTHER PAYABLES (Continued)

Note:

(a) The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

	2019 **HK$'000**	2018 HK$'000
0 – 90 days	**320,055**	161,734
91 – 180 days	**7,850**	13,625
181 – 365 days	**11,481**	11,467
Over 365 days	**15,402**	5,270
	354,788	192,096

(b) Accrued charges and other creditors included income tax payable of approximately HK$42,060,000 (2018: HK$11,895,000)

(c) The construction cost are normally due within one year from the date of recognition as set out in the agreements.

28. CONTRACT LIABILITIES

	Notes	**2019** **HK$'000**	2018 HK$'000
Sales of natural gas contracts	(a)	**120,230**	242,950
Pipeline construction contracts	(b)	**53,490**	26,783
		173,720	269,733

Notes:

(a) Sales of natural gas contracts

The Group would require advance payment before the delivery of the natural gas, for certain customers. The actual delivery of natural gas will be billed by the Group accordingly. The advance payment will give rise to contract liabilities at the start of sales of natural gas contracts, until the revenue recognised on the relevant contract exceeds the amount of the advance payment.

The contract liabilities in relation to sales of natural gas contracts of approximately HK$242,950,000 and HK$168,608,000 as at 1 January 2019 and 2018 were recognised as revenue in profit or loss for years ended 31 December 2019 and 2018, respectively. In the opinion of the directors of the Company, the contract liabilities in relation to sales of natural gas contracts as at 31 December 2019 and 2018 are expected to be recognised within 12 months and therefore classified as current liabilities.

(b) Pipeline construction contracts

When the Group receives a deposit on acceptance and before the commencement of pipeline construction contract, this will give rise to contract liabilities at the start of pipeline construction contracts, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The construction is expected to complete within 12 months.

The contract liabilities in relation to pipeline construction contracts of approximately HK$26,783,000 and HK$106,000 as at 1 January 2019 and 2018 were recognised as revenue in profit or loss for years ended 31 December 2019 and 2018, respectively. In the opinion of the directors of the Company, the contract liabilities in relation to pipeline construction contracts as at 31 December 2019 and 2018 are expected to be recognised within 12 months and therefore classified as current liabilities.

29. BANK AND OTHER BORROWINGS

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

* The amounts also contain a repayable on demand clause.

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

29. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2019, the bank borrowings of approximately HK$39,148,000 (2018: HK$5,112,000) were secured by certain right-of-use assets and property, plant and equipment of the Group with a total carrying amounts of approximately HK$9,548,000 (2018: HK$3,288,000), shares charged over 100% of a subsidiary of the Company and guarantee from the substantial shareholder of the Company. The remaining bank borrowings of approximately HK$1,190,241,000 (2018: HK$224,648,000) were unsecured.

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

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

(b) The unsecured corporate bonds issued by the Company during the year 2019 amounted to HK$683,031,000 (2018: HK$895,000,000). The unsecured bonds have maturity of one to eight years (2018: one to eight years) until 2024 (2018: 2024) and carry interest at 0.8% to 8% (2018: 2% to 8%) per annum. Transaction costs of approximately HK$59,077,000 (2018: HK$45,825,000) have been incurred and the corporate bonds carry effective interest at 4.49% (2018: 5.70%) per annum.

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

30. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its plant and machinery and motor vehicles under finance leases with average lease term of four years. The weighted average effective interest rate of the obligations under finance leases of the Group was approximately 3.6% per annum for the year ended 31 December 2018.

At 31 December 2018

	Minimum lease payments	**Present value of minimum lease payments**
	HK$'000	HK$'000
Amounts payable under finance leases:		
Within one year	9,397	2,568
More than one year but within two years	64,233	63,659
	73,630	66,227
Less: Future finance charges	(7,403)	–
Present value of lease obligations	66,227	
Less: Amounts due for settlement within 12 months		(2,568)
Amount due for settlement after 12 months		63,659

30. OBLIGATIONS UNDER FINANCE LEASES (Continued)

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Upon the adoption of IFRS 16 on 1 January 2019, the lease assets and obligation under finance leases are presented under right of use assets and lease liabilities, respectively.

31. CONVERTIBLE BONDS

	Notes	2019 HK$'000	2018 HK$'000
Convertible Bonds I	(a)	**–**	195,119
Convertible Bonds II	(b)	**–**	136,797
Convertible Bonds III	(c)	**194,105**	174,144
Convertible Bonds IV	(d)	**179,307**	152,181
		373,412	658,241
Amounts repayable:			
Within one year		**373,412**	331,916
More than one year, but not exceeding two years		**–**	326,325
		373,412	658,241
Analysed for reporting purposes as:			
Current portion		**373,412**	331,916
Non-current portion		**–**	326,325
		373,412	658,241

Notes:

(a) Convertible Bonds I

On 29 December 2016, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds I"). The Convertible Bonds I will mature on the date falling on the third anniversary of the date of Convertible Bonds I at a conversion price of HK$0.67 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bonds I. If the Convertible Bonds I have not been converted, they will be redeemed on the maturity date at 118% of the principal amount.

The Convertible Bonds I contain debt component and conversion option. The Company changed its functional currency from HK$ to RMB on 28 October 2016, which is different from the issue currency of Convertible Bonds I. Therefore the conversion option of Convertible Bonds I is not closely related to the debt component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of debt component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

On 28 December 2019, the Convertible Bonds I was fully redeemed in cash at 118% of the principal amount.

31. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) Convertible Bonds I (Continued)

The movement of the debt component and embedded derivatives of the Convertible Bonds I is set out as below:

	Debt component	Embedded derivatives	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	159,170	4,631	163,801
Gain arising on change in fair value	–	(3,517)	(3,517)
Interest expenses	46,338	–	46,338
Interest payable	(10,389)	–	(10,389)
At 31 December 2018 and 1 January 2019	195,119	1,114	196,233
Interest expenses	50,402	–	50,402
Interest payable	(9,521)	–	(9,521)
Derecognition upon maturity	(236,000)	(1,114)	(237,114)
At 31 December 2019	**–**	**–**	**–**

(b) Convertible Bonds II

On 24 April 2017, the Company issued HK$150,000,000, 3.8% convertible bonds (the "Convertible Bonds II") The Convertible Bonds II will initial mature on the date falling thirty-two months from the issue date at a conversion price of HK$0.67 per convertible share. Bondholder may, with prior consent by the Company, extend the initial maturity date, which fall on or after 4 months but not more than 12 months from the initial maturity date. The Company will redeem the Convertible Bonds II at the redemption amount which shall be calculated in accordance to the following formula:

Redemption amount = Principal amount of the Convertible Bonds II x (4.7% x (N/365) +1) x 100% + (any accrued but unpaid interest), where N = Number of days from the issue date of the bonds to the maturity date

The Convertible Bonds II contain debt component and conversion option. The Company's functional currency is RMB, which is different from the issue currency of Convertible Bonds II. Therefore, the conversion option of Convertible Bonds II is not closely related to the debt component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of debt component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

During the year ended 31 December 2019, the Convertible Bonds II was fully redeemed in cash at 112.5% of the principal amount.

31. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) Convertible Bonds II (Continued)

The movement of the debt component and embedded derivatives of the Convertible Bonds II is set out as below:

	Debt component *HK$'000*	Embedded derivatives *HK$'000*	Total *HK$'000*
At 1 January 2018	108,617	15,404	124,021
Gain arising on change in fair value	–	(14,488)	(14,488)
Interest expenses	33,880	–	33,880
Interest payable	(5,700)	–	(5,700)
At 31 December 2018 and 1 January 2019	136,797	916	137,713
Interest expenses	36,380	–	36,380
Interest payable	(4,367)	–	(4,367)
Derecognition upon maturity	(168,810)	(916)	(169,726)
At 31 December 2019	**–**	**–**	**–**

(c) Convertible Bonds III

On 4 May 2017, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds III"). The Convertible Bonds III will mature on the date falling on the third anniversary of the date of Convertible Bonds III at a conversion price of HK$0.67 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bonds III. If the Convertible Bonds III have not been converted, they will be redeemed on the maturity date at 106% of the principal amount.

The Convertible Bonds III contain debt component and conversion option. The Company changed its functional currency from HK$ to RMB on 28 October 2016, which is different from the issue currency of Convertible Bonds III. Therefore, the conversion option of Convertible Bonds III is not closely related to the debt component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of debt component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

The movement of the debt component and embedded derivatives of the Convertible Bonds III is set out as below:

	Debt component *HK$'000*	Embedded derivatives *HK$'000*	Total *HK$'000*
At 1 January 2018	150,120	3,204	153,324
Gain arising on change in fair value	–	(968)	(968)
Interest expenses	33,808	–	33,808
Interest payable	(9,784)	–	(9,784)
At 31 December 2018 and 1 January 2019	174,144	2,236	176,380
Gain arising on change in fair value	–	(2,236)	(2,236)
Interest expenses	29,561	–	29,561
Interest payable	(9,600)	–	(9,600)
At 31 December 2019	**194,105**	**–**	**194,105**

31. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(c) Convertible Bonds III (Continued)

The methods and assumptions applied for the valuation of the Convertible Bonds III are as follows:

(i) Valuation of debt component

At the date of issue, the debt component was recognised at fair value. The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component of the Convertible Bonds III is 17%.

(ii) Valuation of conversion option for Convertible Bonds III

Binomial model is used for valuation of conversion option of the Convertible Bonds III. The inputs into the model were as follows:

	2019	2018
Stock price	**HK$0.207**	HK$0.225
Exercise price (adjusted for Share Subdivision)	**HK$0.670**	HK$0.670
Volatility	**34.50%**	59.01%
Option life	**4 months**	16 months
Risk-free interest rate	**2.09%**	1.73%

(d) Convertible Bonds IV

On 26 June 2018, the Company issued HK$180,000,000, 2% convertible bond (the "Convertible Bonds IV"). The Convertible Bonds IV will mature on the date falling on the second anniversary of the issue date of Convertible Bonds IV at a conversion price of HK$0.57 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bonds IV.

The Company shall have the right to convert all of the convertible bonds held by the bondholder into share, if during any three-month period within the conversion period the average closing price per share reaches HK$0.684 per share. If the Convertible Bonds IV have not been converted, they will be redeemed on the maturity date at the rate of 5.5% per annum of the outstanding amount at the time of the redemption plus any interest accrued.

The Convertible Bonds IV contain debt component and conversion option. The functional currency of the Company is RMB, which is different from the issue currency of Convertible Bonds VI. Therefore, the conversion option of Convertible Bonds IV is not closely related to the debt component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of debt component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

31. CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(d) Convertible Bonds IV (Continued)

The movement of the debt component and embedded derivatives of the Convertible Bonds IV for the year is set out as below:

	Debt component *HK$'000*	**Embedded derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2018	–	–	–
Issued during the year	143,798	36,202	180,000
Transaction costs attributable to the issue of convertible bonds	(6,797)	–	(6,797)
Gain arising on change in fair value	–	(34,465)	(34,465)
Interest expenses	16,994	–	16,994
Interest payable	(1,814)	–	(1,814)
At 31 December 2018 and 1 January 2019	152,181	1,737	153,918
Gain arising on change in fair value	–	(1,737)	(1,737)
Interest expenses	30,726	–	30,726
Interest payable	(3,600)	–	(3,600)
At 31 December 2019	**179,307**	**–**	**179,307**

The methods and assumptions applied for the valuation of the Convertible Bonds IV are as follows

(i) *Valuation of debt component*

At the date of issue, the debt component was recognised at fair value. The fair value of debt component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component of the Convertible Bonds IV is 20.1%.

(ii) *Valuation of conversion option for Convertible Bonds IV*

Binomial model is used for valuation of conversion option of the Convertible Bonds IV. The inputs into the model were as follows:

	2019	2018
Stock price	**HK$0.207**	HK$0.225
Exercise price (adjusted for Share Subdivision)	**HK$0.570**	HK$0.570
Volatility	**33.81%**	56.76%
Option life	**6 months**	18 months
Risk-free interest rate	**1.99%**	1.73%

32. SHARE CAPITAL

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

Notes:

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

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

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

(d) On 6 June 2018, the Company issued 2,407,708,800 new ordinary shares of HK$0.055 each at the issue price of HK$0.50 per share, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 6 June 2018 as quoted on the Stock Exchange was HK$0.55. An amount of HK$1,191,816,000 in excess of par value was credited to share premium. Details are set out is Note 19 to the consolidated financial statements.

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

33. DEFERRED TAXATION

Deferred tax liabilities at the end of each reporting period represent deferred tax arise from fair value adjustments of intangible assets. The movements in the Group's deferred tax liabilities are as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the reporting period	**307,781**	325,749
Credited to profit or loss (Note 10)	**(17,969)**	(17,968)
At the end of the reporting period	**289,812**	307,781

Unrecognised deferred tax

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of 10% withholding tax attributable to undistributed profits amounting to approximately HK$244,791,410 (2018: HK$413,488,722) of certain PRC subsidiaries in relation to the owners of the Company. The Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2019, the Group had tax losses arising in Hong Kong of approximately HK$165,973,225 (2018: HK$92,578,386) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses due to the uncertainty of future taxable profits against which the tax losses can be utilised. The tax losses arising in Hong Kong can be carried forward against future taxable profits. Under the current tax legislation, these tax losses can be carried forward indefinitely.

34. SHARE OPTION SCHEME

Equity-settled share option schemes

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing 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 "Grantee").

The maximum numbers 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 option granted under the share option scheme to each of the Grantee 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.

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

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 the 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 option granted and to be granted to such person in the 12m 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 option will be subjected to the shareholders' approval in 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 option, 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 shall determine, but must be (i) at least the higher of 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.

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 49,206,720 (2018: 96,125,390), representing 0.4% (2018: 0.7%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2019:

Category of grantee	Exercise price per share option *HK$* (Note (a))	Date of grant	Exercisable period	Number of share options as at 1 January 2019	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 2019
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
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	(2,490,670)	–
Sub-total				17,434,700	–	–	(2,490,670)	14,944,030
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	9,962,690
	0.395	23 July 2015	23 July 2016 to 22 July 2019	41,628,000	–	–	(41,628,000)	–
	0.660	20 July 2016	20 July 2017 to 19 July 2020	27,100,000	–	–	(2,800,000)	24,300,000
Sub-total				78,690,690	–	–	(44,428,000)	34,262,690
Total				96,125,390	–	–	(46,918,670)	49,206,720
Exercisable at the end of the year								49,206,720
Weighted average exercise price				HK$0.441	N/A	N/A	HK$0.411	HK$0.471
Weighted average share price at dates of exercise				N/A	N/A	N/A	N/A	N/A

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2018:

Category of the Grantee	Exercise price per share option HK$ (Note (a))	Date of grant	Exercisable period	Number of share options at 1 January 2018	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 reclassified during the year	Number of share options at 31 December 2018
DIRECTORS									
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	–	9,962,690
Mr. Hung Tao	0.395	23 July 2015	23 July 2016 to 22 July 2019	6,000,000	–	(6,000,000)	–	–	–
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
Mr. Hu Xiaoming (Note (b))	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	(10,000,000)	–
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	–	–	2,490,670
				33,434,700	–	(6,000,000)	–	(10,000,000)	17,434,700
EMPLOYEES	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	–	9,962,690
	0.349	1 September 2014	1 September 2015 to 31 August 2018	12,421,000	–	(12,256,000)	(165,000)	–	–
	0.395	23 July 2015	23 July 2016 to 22 July 2019	50,600,000	–	(18,732,000)	(240,000)	10,000,000	41,628,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	28,340,000	–	–	(1,240,000)	–	27,100,000
				101,323,690	–	(30,988,000)	(1,645,000)	10,000,000	78,690,690
Total				134,758,390	–	(36,988,000)	(1,645,000)	–	96,125,390
Exercisable at the end of the year									85,285,300
Weighted average exercise price				HK$0.426	N/A	HK$0.380	HK$0.590	N/A	HK$0.441
Weighted average share price at respective dates of exercise				N/A	N/A	0.523	N/A	N/A	N/A

Notes:

(a) The exercise price per share option was adjusted upon the Share Subdivision of the Company's share effective on 15 October 2014 (the "Share Subdivision").

(b) Mr. Hu Xiaoming resigned as an executive director and chief executive officer of the Company with effect from 19 January 2018.

35. RETIREMENT BENEFITS PLANS

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per person.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments of the PRC. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

36. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

	Notes	**2019** **HK$'000**	2018 HK$'000
Finance cost on lease liabilities (2018: finance lease obligation) with a joint venture	(i)	**10,144**	7,275
Purchase of goods	(ii)	**3,845**	5,022
Sales of goods	(iii)	**28,162**	115,429

Notes:

(i) During the year ended 31 December 2018, the Group entered into finance lease agreement with one of the joint ventures. Upon the adoption of IFRS 16 on 1 January 2019, the obligation under finance leases are presented under lease liabilities.

(ii) The amount represents purchases of goods from a shareholder of a non-wholly owned subsidiary which has significant influence in that non-wholly owned subsidiary.

(iii) The amount represents sales of goods to connected parties of the Company defined under the Listing Rules. Details of the transactions are set out in the section headed "Report of the Directors – Continuing Connected Transactions" of this report.

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

	2019 **HK$'000**	2018 HK$'000
Salaries, bonuses and other benefits	**13,039**	13,036
Contribution to defined contribution plans	**591**	486
Share-based payment	**286**	639
	13,916	14,161

37. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

Right-of-use assets with a total capital value of HK$167,918,000 were initially recognised on 1 January 2019 upon adoption of IFRS 16 and the Group further recognised right-of-use assets by incurring lease liabilities of approximately HK$77,523,000 during the year ended 31 December 2019.

During the year ended 31 December 2019, part of consideration amounting approximately HK$5,460,000 for acquisition of Shanghai Wanxing was satisfied by deposits paid to the vendor in prior years. Details are set out in the Note 38(a) to the consolidated financial statements.

During the year ended 31 December 2019, part of consideration amounting approximately HK$144,391,000 for acquisition of Rainbow Leap was satisfied by loan to the vendor in prior years. Details are set out in the Note 38(b) to the consolidated financial statements.

During the year ended 31 December 2018, convertible bonds with aggregate principal amounts of approximately HK$265,500,000 have been converted into 598,472,221 ordinary shares of the Company.

During the year ended 31 December 2018, 2,407,708,800 ordinary shares were issued at fair value of approximately HK$1,324,240,000 by reference to the quoted price of HK$0.55 per share for the acquisition of an associate. Details are set out in the Note 19 to the consolidated financial statements.

Upon maturity during the year ended 31 December 2018 of two convertible notes with aggregate principal amounts of HK$60,000,000 (HK$30,000,000 each), they were reclassified to interest bearing loans with same principal amount pursuant to the agreement entered into with the holders.

37. ADDITIONAL INFORMATION ON CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Amounts due to joint ventures	Amounts due to non-controlling shareholders of subsidiaries	Bank and other borrowings	Obligations under finance leases	Lease liabilities	Convertible bonds	Embedded derivative at FVTPL	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	15,280	155,703	732,652	166,852	–	647,121	23,239	1,740,847
Financing cash flows, net	56,865	(155,703)	748,108	(100,625)	–	137,001	36,202	721,848
Interest expenses	–	–	59,023	7,301	–	175,440	–	241,764
Interest paid	–	–	(59,023)	(7,301)	–	(32,311)	–	(98,635)
Conversion of convertible bonds	–	–	–	–	–	(269,010)	–	(269,010)
Change in fair value of embedded derivatives	–	–	–	–	–	–	(53,438)	(53,438)
At 31 December 2018 and 1 January 2019	72,145	–	1,480,760	66,227	–	658,241	6,003	2,283,376
Financing cash flow, net	64,047	–	1,006,169	–	(13,612)	(404,810)	–	651,794
Acquisition of subsidiaries	–	–	–	–	552	–	–	552
Effect of IFRS 16	–	–	–	(66,227)	88,809	–	–	22,582
Additions	–	–	–	–	77,523	–	–	77,523
Interest expenses	–	–	83,639	–	13,454	147,069	–	244,162
Interest paid	–	–	(83,639)	–	–	(27,088)	–	110,727
Change in fair value of embedded derivatives	–	–	–	–	–	–	(6,003)	(6,003)
Exchange realignment	(1,044)	–	(1,008)	–	(4,975)	–	–	(7,027)
At 31 December 2019	135,148	–	2,485,921	–	161,751	373,412	–	3,156,232

38. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Shanghai Wanxing

On 17 January 2019, the Group acquired Shanghai Wanxing, a company established in the PRC and principally engaged in the sales and distribution of natural gas and other related products in the PRC, at a consideration of RMB5,000,000 (equivalent to approximately HK$5,788,000). At the date of acquisition, the net assets of Shanghai Wanxing amounted to approximately RMB718,000 (equivalent to approximately HK$815,000) which included property, plant and equipment and cash and bank balances with net carrying amounts of approximately HK$521,000 and HK$205,000, respectively. Accordingly, goodwill of approximately HK$4,973,000 is recognised in respect of the acquisition.

The consideration was partially satisfied by deposit paid in prior years (included in “Deposits for acquisition of subsidiaries”) of approximately HK$5,460,000 and partially by cash of approximately HK$328,000. Accordingly, the net cash outflow on acquisition of Shanghai Wanxing amounted to approximately HK$124,000.

(b) Acquisition of Rainbow Leap

On 12 April 2019 (after trading hours), the Group and the vendor entered into the sale and purchase agreement, pursuant to which the vendor conditionally agreed to sell, and the Group conditionally agreed to acquire the entire issued share capital of Rainbow Leap at a consideration of approximately HK$253,097,000. Rainbow Leap is a company incorporated in the BVI and the principal activities of Rainbow Leap and its subsidiaries are the sales and distribution of natural gas and other related products in the PRC. Details of the acquisition were set out in the Company’s announcement dated 12 April 2019. The acquisition was completed on 31 May 2019.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the date of acquisition:

	HK$’000
Consideration paid, satisfied by cash	253,097

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Rainbow Leap (Continued)

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	34,784
Right-of-use assets	1,251
Inventories	27,065
Trade and other receivables	69,950
Cash and bank balances	37,021
Trade and other payables	(243,073)
Total identifiable net liabilities	(73,002)
Non-controlling interests recognised	(4,605)
Goodwill arising on acquisition	330,704
	253,097

	HK$'000
Net cash flow on acquisition of subsidiaries:	
Net cash acquired from the subsidiaries	37,021
Consideration paid	(253,097)
Loan to the vendor (included in "loan and bond receivables")	144,391
	(71,685)

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Rainbow Leap (Continued)

Goodwill arose from the above acquisitions because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the goodwill arising on the above acquisitions is expected to be deductible for tax purposes.

The fair values of trade and other receivables acquired included trade receivables with fair value of approximately HK$51,573,000 and other receivables with fair value of HK$18,377,000. The total gross contractual amounts of the trade and other receivables are approximately HK$69,950,000 of which provision of approximately $432,000 and Nil were made against trade receivables and other receivables, respectively.

The acquired subsidiaries contributed approximately HK$681,662,000 to the Group's revenue and generated profit of HK$6,844,000 for the period between the respective dates of acquisition and the end of the reporting period.

Had the above acquisition been effected at the beginning of the reporting period, the total amount of revenue contributed to the Group for the year ended 31 December 2019 would have been approximately HK$3,760,952,000 and the amount of the profit contributed for the year would have been approximately HK$74,082,000.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	From of business structure	Paid up issue share capital/ registered capital	Proportion of issued capital/ registered capital held indirectly by the Company 2019 %	2018 %	Principal activities
Smart Union	Hong Kong	Incorporated	1 ordinary share of HK$1 each	**100**	100	Investment holding
Cloud Decade	BVI/Hong Kong	Incorporated	10,000 ordinary shares of US$1 each	**100**	100	Investment holding
Shine Great	BVI/Hong Kong	Incorporated	10,000,000 ordinary shares of US$1 each	**100**	100	Investment holding
Well Organising	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Energy Shell	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Smart Rainbow	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Diamond Maple	BVI/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**100**	100	Investment holding
Day Zone	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
OctoNet Limited	BVI/Hong Kong	Incorporated	1,000 ordinary shares of US$1 each	**100**	100	Investment holding
August Zone Limited	BVI/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**100**	100	Investment holding
Top Grand Global Limited	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
貴州坤煜經貿有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100**	100	Sales and distribution of natural gas and other related products
湖州博臣天然氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100**	100	Sales and distribution of natural gas and other related products
寧波北侖博臣能源貿易有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100**	100	Sales and distribution of natural gas and other related products

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	From of business structure	Paid up issue share capital/ registered capital	Proportion of issued capital/ registered capital held indirectly by the Company 2019 %	2018 %	Principal activities
海口鑫元天然氣技術股份有限公司 ("Haikou Xinyuan")	PRC	Sino-foreign owned enterprise	Registered capital RMB68,000,000	**48 (Note)**	48	Sales and distribution of natural gas and other related products
本溪遼油新時代燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB90,000,000	**90**	90	Sales and distribution of natural gas and other related products
吉林松原燃氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB50,000,000	**100**	100	Sales and distribution of natural gas and other related products
山西民生天燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB80,000,000	51	51	Sales and distribution of natural gas and other related products
永濟市民生天燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB60,000,000	**51**	51	Sales and distribution of natural gas and other related products
深圳正威力能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB3,000,000	**100**	100	Investment holding
深圳中港新時代能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital HK$10,000	**100**	100	Consultancy service on natural gas business
安徽正威力能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB90,000,000	**100**	100	Sales and distribution of natural gas and other related products
浙江博信能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB250,000,000	**100**	–	Sales and distribution of natural gas and other related products

Note:

Haikou Xinyuan is a subsidiary of the Group although the Group has only 48% ownership interest and voting rights in Haikou Xinyuan. The Group can exercise control over Haikou Xinyuan by way of securing the majority in boardseats of Haikou Xinyuan. According to the article of Haikou Xinyuan, 4 out of 7 directors are appointed by the Group and the resolution is passed by simple majority.

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

In the opinion of the directors of the Company, the Group has no material non-controlling interests and the summarised financial information about these subsidiaries is not disclosed.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which include bank and other borrowings, amounts due to joint ventures, lease liabilities, obligations under finance leases, and convertible bonds and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of cash dividends, new share issues, as well as the issue of new debts or the redemption of existing debts. The Group is not subject to any externally imposed capital requirement.

(a) Categories of financial instruments

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Amortised cost	**1,585,994**	1,266,309
FVTOCI	**119,662**	224,366
Mandatorily measured at FVTPL	**215,063**	201,417
Classified as held for trading	**5,171**	19,501
Financial liabilities		
Amortised cost	**3,622,727**	2,531,417
FVTPL	**–**	6,003

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from non-controlling shareholders of subsidiaries, amounts due from associates, financial assets at FVTPL, financial assets at FVTOCI, amounts due from joint ventures, promissory note receivable, cash and bank balances, trade and other payables, bank and other borrowings, amounts due to joint ventures, amounts due to non-controlling shareholders of subsidiaries, convertible bonds, embedded derivatives at FVTPL, lease liabilities and obligations under finance leases. 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.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

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 at the reporting date are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**652,269**	413,060	**2,678,644**	738,151
United States dollars ("US$")	**9,639**	33,913	**133,464**	–

Sensitivity analysis

The Group is mainly exposed currency risk related to exchange rate of RMB against HK$ and US$. The sensitivity analysis includes only outstanding monetary items which are denominated in HK$ and US$ and adjusts its translation at the end of the reporting date for a 5% and 5% change in HK$ and US$ exchange rates, respectively. 5% (2018: 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% and 5% strengthening of the functional currency of the relevant group entities against HK$ and US$ and a positive number below indicates an increase in post-tax results, respectively. For a 5% and 5% weakening of the functional currency of the relevant group entities against the HK$ and US$, respectively, there would be an equal and opposite impact on the results.

	Increase/(decrease) in post-tax profits	
	2019	2018
	HK$'000	*HK$'000*
HK$	**(84,604)**	(13,573)
US$	**(5,170)**	1,435

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate bank borrowings (as detailed in Note 29 to the consolidated financial statements) and other borrowings.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2019	2018
	HK$'000	*HK$'000*
Financial assets at amortised cost	**33,226**	28,494

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

Sensitivity analysis

In the opinion of the directors of the Company, the expected change in interest rate will not have significant impact on the interest income from variable-rate bank balances, hence sensitivity analysis is not presented.

Price risk on financial assets at FVTPL

The Group is exposed to price risks arising from equity instruments held under financial assets at FVTPL in the consolidated financial statements. In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designated as at FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should arise.

Sensitivity analysis
The sensitivity analysis has been determined based on the exposure to price risk. At the end of the reporting period, if the market price had been 10% (2018: 10%) higher/lower while all other variables were held constant, the Group's post-tax profits for the year would be increased/decreased by HK$18,390,000 (2018: HK$18,447,000) due to change in the fair value of financial assets at FVTPL, respectively.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

Trade receivables and contract assets

As part of the Group's credit risk management, the Group uses debtors' aging and internal credit rating to assess the impairment for its customers in relation to its City Gas operation and natural gas refuelling station operation, respectively. City Gas operation consists of a large number of customers with common risk characteristics. Based on the Group's assessment of historical credit loss experience and all available forward-looking information, including but not limited to the expected economic conditions in the PRC, the Group used different estimated loss rates based on aging for different classes with common credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates and adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

For trading and distribution of natural gas, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality by customer. Scoring attributed to customers are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group performs impairment assessment under ECL model on significant trade balances individually or based on provision matrix by internal credit rating.

The Group has concentration of credit risk as 20% (2018: 20%) and 46% (2018: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the trading and distribution of natural gas segment.

Other receivables, amounts due from joint ventures and associates

Regarding other receivables (including loan and bond receivables), amounts due from joint ventures and associates, the ECL on these assets are assessed individually for debtors with significant balance on the recoverability based on historical settlement records, past experience, and also available, reasonable and supportive forward-looking information. Except for information disclosed below, the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables (including loan and bond receivables), amounts due from joint ventures and associates.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Cash and bank balances

The credit risk on cash and bank balances of the Group is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies and no history of default in the past. No loss allowance provision for cash and bank balances was recognised.

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

Financial assets	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
			2019	2018
			HK$'000	*HK$'000*
At amortised costs				
Trade receivables	Note a	Lifetime ECL (provision matrix – internal credit rating)	90,759	36,526
	Note a	Lifetime ECL (provision matrix debtors' aging)	204,936	136,947
	Low risk (Note b)	Lifetime ECL	112,897	27,667
	Watch list (Note b)	Lifetime ECL	–	6,863
			408,592	208,003
Other receivables	Note c	12m ECL	613,428	769,580
Amounts due from joint ventures	Note c	12m ECL	38,022	37,589
Amounts due from associates	Note c	12m ECL	31,344	30,736
Promissory note receivable	Note c	12m ECL	–	8,311
Other items				
Contract assets	Note a	Lifetime ECL (provision matrix debtors' aging)	46,606	93,038

Notes:

(a) For trade receivables and contract assets, the Group has applied the simplified approach to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating and debtors' aging.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Cash and bank balances (Continued)

(b) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired

(c) At the end of the reporting period, except for information disclosed below, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk for other receivables, amounts due from joint ventures, amounts due from associates and promissory note receivable since initial recognition. Accordingly, the loss allowance for other receivables, amounts due from joint ventures, amounts due from associates and promissory note receivable is measured at an amount equal to 12m ECL. For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. None of the above balance was past due nor has fixed repayment terms.

Provision matrix – internal credit rating (Trading and distribution of natural gas)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its trading and distribution of natural gas operation because these customers consist of a large number of medium-sized industrial customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balance with aggregate gross carrying amounts of approximately HK$130,579,000 and HK$34,530,000 as at 31 December 2019 and 2018 were assessed individually.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Provision matrix – internal credit rating (Trading and distribution of natural gas) (Continued)

As at 31 December 2019

	Average loss rate %	Gross carrying amount HK$	Loss allowance HK$	Credit-impaired
Internal credit rating				
Low risk				
– assessed collectively	30%	73,077	23,603	No
– assessed individually	9%	130,579	13,511	No
		203,656	37,114	

As at 31 December 2018

	Average loss rate %	Gross carrying amount HK$	Loss allowance HK$	Credit-impaired
Internal credit rating				
Low risk				
– assessed collectively	0.01%	25,432	4	No
– assessed individually	0.01%	27,667	34	No
Watch list				
– assessed collectively	6%	11,094	697	No
– assessed individually	6%	6,863	431	No
		71,056	1,166	

Provision matrix – debtors' aging (City Gas operation and natural gas refuelling station)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its natural gas for transportation and city gas and other product operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit-impaired).

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Provision matrix – debtors' aging (City Gas operation and natural gas refuelling station) (Continued)

2019

	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	**3.39%**	**178,857**	**6,061**	**No**
1 – 30 days past due	**3.39%**	**4,565**	**155**	**No**
31 – 120 days past due	**3.39%**	**239**	**9**	**No**
120 – 180 days past due	**1.5%**	**5,621**	**844**	**No**
More than 180 days past due	**22.4%**	**15,654**	**3,507**	**No**
		204,936	**10,576**	

2018

	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	46.41%	38,907	18,059	No
1 – 30 days past due	33.27%	27,173	9,041	No
31 – 120 days past due	N/A	28,165	–	No
120 – 180 days past due	N/A	1,454	–	No
More than 180 days past due	100%	41,248	41,248	No
		136,947	68,348	

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2019 and 2018, the Group recognised reversal of impairment loss of approximately HK$22,256,000 and provision for impairment loss of approximately HK$21,325,000 for trade receivables, based on the provision matrix, respectively. The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Provision matrix – debtors' aging (City Gas operation and natural gas refuelling station) (Continued)

	Lifetime ECL	
	2019	2018
	HK$'000	*HK$'000*
At the beginning of reporting period	**69,514**	48,952
(Reversal of)/Provision for impairment losses	**(22,256)**	21,325
Acquisition of subsidiaries (Note 38)	**432**	–
Written off	**–**	(763)
At the end of reporting period	**47,690**	69,514

Changes in the loss allowance for trade receivables during the year ended 31 December 2019 are mainly due to change in proportion of trade receivables not yet past due and past due compared with prior year.

During the years ended 31 December 2019 and 2018, the Group recognised provision for impairment loss of approximately HK$16,507,000 and Nil for other receivables, respectively. The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	2019	2018
	HK$'000	*HK$'000*
At the beginning of reporting period	**–**	–
Provision for impairment losses	**16,507**	–
At the end of reporting period	**16,507**	–

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.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2019 and 2018. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date which the Group can be required to pay. Bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choose to exercise their rights within one year after the reporting date.

The maturity analysis for the financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities. The amounts for variable interest rate instrument are subject to change if changes in variable interest rates different from those of estimates determined at the end of the reporting period.

	On demand or within 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**More than 5 years** *HK$'000*	**Total undiscounted cash flow** *HK$'000*	**Carrying amount** *HK$'000*
At 31 December 2019						
Trade and other payables	**418,263**	**–**	**–**	**–**	**418,263**	**466,495**
Convertible bonds	**417,361**	**–**	**–**	**–**	**417,361**	**373,412**
Amounts due to joint ventures	**–**	**135,148**	**–**	**–**	**135,148**	**135,148**
Lease liabilities	**44,102**	**39,023**	**98,609**	**4,239**	**185,973**	**161,751**
Bank and other borrowings	**2,246,780**	**192,988**	**153,119**	**–**	**2,592,887**	**2,485,921**
	3,126,506	**367,159**	**251,728**	**4,239**	**3,749,632**	**3,622,727**

	On demand or within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
At 31 December 2018						
Trade and other payables	254,044	–	–	–	254,044	254,044
Convertible bonds	331,916	345,620	–	–	677,536	658,241
Amounts due to joint ventures	–	77,623	–	–	77,623	72,145
Obligation under finance lease	9,397	64,233	–	–	73,630	66,227
Bank and other borrowings	925,182	383,391	230,282	6,597	1,545,452	1,480,760
	1,520,539	870,867	230,282	6,597	2,628,285	2,531,417

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement

The following table presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis at the end of reporting date across the three levels of the fair value hierarchy defined in *IFRS 13 Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level of input that is significant to the entire measurement. The levels are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
At 31 December 2019				
Financial assets measured at fair value				
Financial assets at FVTPL	**5,171**	**215,063**	**–**	**220,234**
Financial assets at FVTOCI	**–**	**–**	**119,662**	**119,662**
Financial liabilities measured at fair value				
Embedded derivatives at FVTPL	**–**	**–**	**–**	**–**

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 December 2018				
Financial assets measured at fair value				
Financial assets at FVTPL	19,501	183,569	17,848	220,918
Financial assets at FVTOCI	–	–	224,366	224,366
Financial liabilities measured at fair value				
Embedded derivatives at FVTPL	–	–	6,003	6,003

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

The following table gives information about how the fair values of these financial assets and financial liabilities at the end of each reporting period are determined (in particular, the valuation technique(s) and inputs used).

Financial instruments	Fair value at 31 December		Fair value hierarchy	Valuation technique(s)
	2019	2018		
	HK$'000	*HK$'000*		
Financial assets				
Investment in listed equity securities held-for-trading	**5,171**	19,501	Level 1	Quoted bid prices in an active market
Unlisted investment security fund classified as financial assets at FVTPL	**215,063**	183,569	Level 2	Net asset value of fund (i.e. fair value of the portfolio included in the fund)
Convertible note receivables	**–**	17,848	Level 3	Binomial option pricing model Key unobservable inputs: – Expected volatility (Note a) – Discount rate (Note b)
Financial assets at FVTOCI	**119,662**	224,366	Level 3	Market based approach Key unobservable inputs: – Price-to-book ("P/B") ratio was adopted using median P/B multiple of various comparable companies – Discount for lack of marketability (Note c)
Financial liabilities				
Embedded derivatives at FVTPL	**–**	6,003	Level 3	Binomial option pricing model – Expected volatility (Note a) – Discount rate (Note b)

Notes:

(a) The higher the expected volatility, the higher the fair value
(b) The higher the discount rate, the lower the fair value
(c) The higher the discount for lack of marketability, the lower the fair value

40. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities:

	Financial assets at FVTPL	Financial assets at FVTOCI	Embedded derivatives at FVTPL
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	149,373	–	(23,239)
Reclassification upon application of IFRS 9	–	134,828	–
Remeasurement from amortised cost to fair value upon application of IFRS 9	–	20,379	–
Additions	–	20,413	(36,202)
Disposals/Settlements	(85,914)	–	–
Change in fair value	(45,611)	48,746	53,438
At 31 December 2018 and **1 January 2019**	17,848	224,366	(6,003)
Additions	–	11,738	–
Disposals/Settlements	(17,848)	–	–
Change in fair value	–	(116,442)	6,003
At 31 December 2019	–	119,662	–

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**2**	10
Prepayments and other receivables		**45,800**	15,115
Investment in subsidiaries		**5,684,627**	5,475,178
Financial assets at FVTOCI		**9,591**	16,020
		5,740,020	5,506,323
Current assets			
Other receivables		**452,609**	303,570
Amounts due from subsidiaries		**1,107,331**	766,506
Amounts due from joint ventures		**13,151**	16,164
Financial assets at FVTPL		**218,743**	219,427
Cash and bank balances		**40,413**	35,033
		1,832,247	1,340,700
Current liabilities			
Other payables		**7,663**	14,839
Amounts due to subsidiaries		**150,607**	39,953
Convertible bonds		**373,412**	331,916
Bank and other borrowings		**2,140,394**	883,380
Embedded derivatives at FVTPL		**–**	6,003
		2,672,076	1,276,091
Net current (liabilities) assets		**(839,829)**	64,609
Total assets less current liabilities		**4,900,191**	5,570,932
Capital and reserves			
Share capital		**714,236**	714,236
Reserves	(a)	**3,894,624**	3,991,871
Total Equity		**4,608,860**	4,706,107
Non-current liabilities			
Bank and other borrowings		**291,331**	538,500
Convertible bonds		**–**	326,325
		291,331	864,825
		4,900,191	5,570,932

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Movement of the reserves

	Share premium *HK$'000*	Share option reserve *HK$'000*	Convertible note equity reserve *HK$'000*	FVTOCI reserve *HK$'000*	Merger reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2018	2,680,626	13,090	94,250	–	(43,048)	(39,150)	(143,628)	2,562,140
Loss for the year	–	–	–	–	–	–	(50,013)	(50,013)
Other comprehensive loss								
Items that will not be reclassified to profit or loss								
Exchange difference arising on translation to presentation currency	–	–	–	–	–	(8,822)	–	(8,822)
Fair value change in financial assets at fair value through other comprehensive income	–	–	–	(4,411)	–	–	–	(4,411)
Total other comprehensive loss	–	–	–	(4,411)	–	(8,822)	–	(13,233)
Total comprehensive loss for the year	–	–	–	(4,411)	–	(8,822)	(50,013)	(63,246)
Transactions with equity holders								
Contributions and distributions								
Issue of shares by way of placing	51,500	–	–	–	–	–	–	51,500
Issue of shares upon conversion of convertible bonds	330,344	–	(94,250)	–	–	–	–	236,094
Issue of shares upon conversion of share options	16,325	(4,313)	–	–	–	–	–	12,012
Issue of shares for acquisition of an associate	1,191,816	–	–	–	–	–	–	1,191,816
Recognition of equity-settled share-based payments	–	1,555	–	–	–	–	–	1,555
Transfer to accumulated profits upon forfeiture of share options	–	(182)	–	–	–	–	182	–
	1,589,985	(2,940)	(94,250)	–	–	–	182	1,492,977
At 31 December 2018	4,270,611	10,150	–	(4,411)	(43,048)	(47,972)	(193,459)	3,991,871

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Movement of the reserves (Continued)

	Share premium	Share option reserve	FVTOCI reserve	Merger reserve	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	4,270,611	10,150	(4,411)	(43,048)	(47,972)	(193,459)	3,991,871
Loss for the year	-	-	-	-	-	(79,928)	(79,928)
Other comprehensive loss							
Items that will not be reclassified to profit or loss							
Exchange difference arising on translation to presentation currency	-	-	-	-	(11,418)	-	(11,418)
Fair value change in financial assets at fair value through other comprehensive income	-	-	(6,429)	-	-	-	(6,429)
Total other comprehensive loss	-	-	(6,429)	-	(11,418)	-	(17,847)
Total comprehensive loss for the year	-	-	(6,429)	-	(11,418)	(79,928)	(97,775)
Transactions with equity holders							
Contributions and distributions							
Recognition of equity-settled share-based payments	-	528	-	-	-	-	528
Transfer to accumulated profits upon forfeiture of share options	-	(6,601)	-	-	-	6,601	-
	-	(6,075)	-	-	-	6,601	528
At 31 December 2019	4,270,611	4,077	(10,840)	(43,048)	(59,390)	(266,786)	3,894,624

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	213,123	633,776	1,451,140	2,148,480	**2,676,129**
Profit before taxation	1,904	85,673	9,606	259,188	**97,038**
Income tax (expense)/credit	4,999	(378)	(5,791)	2,328	**(23,168)**
Profit for the year	6,903	85,295	3,815	261,516	**73,870**
Attributable to:					
Owners of the Company	17,160	99,876	(12,489)	260,657	**(10,871)**
Non-controlling interests	(10,257)	(14,581)	16,304	859	**84,741**
	6,903	85,295	3,815	261,516	**73,870**
(Loss)/earnings per share					
Basic (in HK cents)	0.33	1.28	(0.13)	2.27	**(0.08)**
Diluted (in HK cents)	0.33	1.27	(0.32)	2.09	**(0.08)**

ASSETS AND LIABILITIES

	At 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	2,411,253	4,289,079	5,939,563	8,228,330	**8,657,336**
Total liabilities	(681,508)	(1,013,385)	(2,529,655)	(3,114,934)	**4,086,259**
	1,729,745	3,275,694	3,409,908	5,113,396	**4,571,077**
Equity attributable to owners of the Company	1,536,322	3,207,871	3,299,385	5,028,742	**4,426,817**
Non-controlling interests	193,423	67,823	110,523	84,654	**144,260**
	1,729,745	3,275,694	3,409,908	5,113,396	**4,571,077**

Note:

In the current year, the Group has applied new and amendments to IFRS standards including IFRS 16 which are effective for the year ended 31 December 2019. (see note 2 of the Notes to the Consolidated Financial Statements section for the summary of the corresponding financial impact). Accordingly, certain comparative information for the years ended 31 December 2015, 2016, 2017 and 2018 may not be comparable to the year ended 31 December 2019 as such comparative information was prepared under IAS 17. Accounting policies resulting from application of IFRS 16 are disclosed in the "Significant Accounting Policies" Section.