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 2020

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FINANCIAL CONTENTS

CORPORATE INFORMATION

(as at 30 September 2021)

BOARD OF DIRECTORS

Executive Directors

Mr. Li Weiqi *(Chief Executive Officer)*
Mr. Jin Qiang
Ms. Yang Fuyan *(Chief Financial Officer)*
Mr. Ye Hongjun

Non-executive Directors

Mr. Zhi Xiaoye *(Chairman of the Board)*
Mr. Cheng Ming Kit *(duties suspended)*

Independent Non-executive Directors

Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Cui Yulei
Ms. Hsu Wai Man, Helen

COMMITTEE MEMBERS

Audit Committee

Ms. Hsu Wai Man, Helen *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Cui Yulei

Remuneration Committee

Mr. Cui Yulei *(Chairman)*
Mr. Ma Arthur On-hing
Mr. Lim Siang Kai
Mr. Wee Piew
Ms. Hsu Wai Man, Helen

Nomination Committee

Mr. Zhi Xiaoye *(Chairman)*
Mr. Ma Arthur On-hing
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Cui Yulei
Ms. Hsu Wai Man, Helen

AUTHORISED REPRESENTATIVES

Mr. Jin Qiang
Ms. Annie Chen

COMPANY SECRETARY

Ms. Annie Chen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

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

BERMUDA SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

The Bank of East Asia
Bank of Ningbo Co., Ltd.
China Merchants Bank Co., Ltd.
Natixis
China Minsheng Banking Corp., Ltd.
Nanyang Commercial Bank, Limited

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODE

6828

CHAIRMAN'S STATEMENT

Dear shareholders,

The year 2020 was an extraordinary year. The outbreak of COVID-19 has caused tremendous shock to the whole world. Affected by the pandemic, economic and market situations, the growth of natural gas industry has obviously slowed down. According to data from the National Development and Reform Commission (NDRC), China's apparent consumption of natural gas stood at 324 billion cubic meters in 2020, up 5.6% year on year ("YoY").

The year 2020 was the final year for implementing the "13th Five-Year Plan". The share of natural gas in primary energy consumption reached around 8.5%. During the "14th Five-Year Plan" period, natural gas will make an important contribution to the goal of reaching national carbon peak by 2030. At the General Debate of the 75th Session of the United Nations General Assembly, General Secretary Xi Jinping mentioned that China aims to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060. Although the industry's growth has slowed down, natural gas, as a clean energy, is expected to continue its growth in the future under the dual drivers of economy and policy support. In 2020, China has introduced a number of initiatives to promote the development of natural gas industry. In March 2020, the NDRC released the "Central Pricing Catalog", from which the provincial natural gas gate station prices were removed. Instead, new imported gas will shift to a competitive pricing model to promote market-based pricing. In April 2020, the "Energy Law of the People's Republic of China (Draft for Comment)" was issued, which regulates the development, utilization, supervision and management of energy resources, so as to improve energy efficiency and promote clean and low-carbon energy development. In addition, the PipeChina commenced its formal operation in September 2020, bringing about substantial progress for the fairness and openness of infrastructure. The "Proposals of the Central Committee of the Communist Party of China on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035" were introduced in November 2020, which propose further advancement of market-oriented reforms during the "14th Five-Year Plan" period, thereby promoting the realization of "Liberalizing production and retail" and "controlling transmission and distribution" for energy gas market and continuously improving the energy production, supply, storage and marketing system.

The year 2020 was also of vital importance to our Group. In July 2020, our largest shareholder, Beijing Gas, has assigned management personnel to the Group, opening a new chapter in the Group's development. Beijing Gas helped to build a new leadership for the Group by dispatching members of the Board and management team and hiring personnel with extensive experience in city gas market expansion, business operation, corporate governance, capital operation, financial management and financial risk. Under the leadership of the new session of the Board, the Group's various businesses have been operating steadily. We are committed to jointly developing Beijing Gas Blue Sky as a more high-quality enterprise.

Affected by the pandemic, in 2020, the Group's total natural gas sales and treatment volume amounted to approximately 6,659.1 million cubic meters, representing a YoY decrease of approximately 8.9%; operating income amounted to HK$1,463.1 million, representing a YoY decrease of 45.3%; gross profit (adding back government subsidies and grants for city gas included in other gains and losses) decreased to HK$159.0 million. Significantly affected by one-off provision for assets, the overall net profit of the Group has a significant decline. However, the revenue attributable to the projects from our associates (mainly the PetroChina Jingtang LNG receiving terminal projects) was approximately HK$320.4 million, representing a YoY increase of approximately 4.8% in profit contribution. The revenue from city gas business amounted to HK$639.5 million, representing a YoY increase of 13.2%.

CHAIRMAN'S STATEMENT

Since Beijing Gas assigned management personnel to the Group, the Group has been optimized in all aspects, and the synergies among its substantial shareholders have also been further enhanced. In terms of business, Beijing Gas Blue Sky entered into a sales contract with Beijing Gas Singapore, a subsidiary of Beijing Gas Group, in early August 2020. Pursuant to the contract, Beijing Gas Blue Sky agreed to sell mono ethylene glycol worth US$11.44 million (equivalent to approximately HK$88.66 million) to Beijing Gas Singapore. With two important overseas platforms of Beijing Gas, this cooperation also reflected the strong support from substantial shareholders to the Company at the business level. In terms of financing, with the support from substantial shareholders' financing channels and credit enhancement, the Group's financing structure has been further improved and financial costs have thusly further reduced. In 2020, the financial costs of the Group amounted to HK$195.5 million, representing a YoY decrease of 19.9%. In the whole year, the Group has raised a total of approximately HK$3.76 billion with commercial banks, representing a YoY increase of 67.1%. In addition, the Group actively streamlined its organization structure, improved its internal management policies and procedure, to enhance the internal management efficiency and risk management capacity. It has continued to reduce costs and increase efficiency and strictly control expenses, so as to improve profitability. Meanwhile, the Group improved its performance management system, budget management system and project safety management system, to promote robust growth of the Group from all internal and external aspects. In this process, we also identified some problems left over from the past, hence, we have immediately replaced the auditor and appointed an independent forensic accountant to conduct a forensic investigation, which directly led to the delay of this Annual Report. However, this also demonstrated the Group's resolution to solve problems seriously and its responsible attitude to shareholders. The Group and substantial shareholders believe that Beijing Gas Blue Sky will usher in a better future.

Looking ahead, we are still full of confidence in the development of natural gas industry and the Group. In the future, supported by its substantial shareholder's assistance in strategic synergy, business development, investment and financing management as well as our flexible mechanism, the Group will integrate resources from various parties to promote its long-term stable development and enhance its profitability. The Group has also successfully established a whole industry chain business layout from upstream to downstream. In the future, the Group will continue to leverage its advantage of whole industry chain and uphold the strategy of developing "LNG + City Gas". In addition, the Company is in the process of communicating with the substantial shareholder to seek for its assistance. In terms of capital plan, the Group will not rule out arrangements such as mergers and acquisitions and capital injections by substantial shareholders to integrate high-quality resources, so as to make the platform of Beijing Gas Blue Sky grow bigger and stronger and fuel its better development in the long run.

The development of the Group has always been accompanied by the support and encouragement from all the shareholders. I would like to extend my heartfelt gratitude to our customers, employees, partners and shareholders for their ongoing support, patience and trust. Also, I do hope to invite you to walk with us and witness our growth and excellence in the future!

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

With the spreading of COVID-19 across the globe in 2020, the world economy was in a recession, the volume of international natural gas trade shrunk, and the prices fluctuated greatly. In the face of challenges posed by COVID-19, China's natural gas has maintained the fundamentals of sustainable and stable development, and factors supporting the high-quality development of natural gas were still increasing. According to the data from National Bureau of Statistics of the People's Republic of China and customs, the annual production volume of natural gas in China in 2020 stood at 192.5 billion cubic meters, up 9.8% YoY; the import volume of natural gas stood at 140.3 billion cubic meters, up 5.3% YoY; and the apparent consumption of natural gas stood at 324 billion cubic meters, up 5.6% YoY.

The year 2020 is the final year for China's "13th Five-Year Plan" and also the planning year for China's "14th Five-Year Plan". The COVID-19 outbreak has had a major impact on China's economic, social and energy development in the current stage. But at the same time, the international supply of natural gas resources was further eased, natural gas prices fluctuated widely at low levels, China's capacity to increase reserves and production has been significantly enhanced, and the ability to guarantee the safety of gas supply has been further improved; the reform of systems and mechanisms continued to deepen, and industrial policies continued to improve; the continuous emergence of new industries, new models and new forms of business spawned and promoted by the pandemic provided favourable conditions for the development of natural gas. The market-oriented reform of natural gas in China continued to deepen in 2020, China Oil and Gas Pipeline Network Corporation ("PipeChina") was officially put into operation, and substantial progress was made in ensuring fair and open infrastructure. Steady progress was made in building a natural gas production, supply, storage, transportation and sales system, laying a solid foundation for ensuring natural gas supply during the 14th Five-Year Plan period when the demand for natural gas will increase. The government issued a number of policies to reduce the cost of gas use, and further release the signal of natural gas price marketization. As an important resource, the imported LNG which was benefited by the significant cost decrease has bucked the trend and achieved an increase in the year-on-year growth rate. During the 14th Five-Year Plan period, under the continuous promotion of government policies, the upstream, middle and downstream infrastructure will be further improved, the number of domestic LNG projects and imported LNG receiving stations will gradually increase, and the LNG supply is still relatively abundant, which will continue to promote the sustainable development of the LNG industry. At the same time, the 14th Five-year Plan proposed to develop green economy, increase the proportion of renewable energy and improve energy quality. The economic growth model will continue to change to quality-based growth. In addition, General Secretary Xi Jinping has proposed that China strive to have its carbon dioxide emission peak by 2030 and achieve carbon neutrality by 2060. In the future, the proportion of total consumption of traditional energy will decrease, and energy utilization will turn to green, low carbon and high efficiency. The consumption of natural gas will gradually increase and the application of natural gas will continue to expand.

BUSINESS REVIEW

For the year ended 31 December 2020 ("FY2020"), the Group's revenue amounted to HK$1,463.1 million, representing a decrease of 45.3% as compared to the corresponding period of last year (FY2019: HK$2,676.1 million), mainly due to (i) presentation in net basis 320.9 million cubic meters of sales volume (revenue: HK$874.1 million) in 2020 has been adjusted, which resulted in a decrease in sales volume and revenue; (ii) decrease of total business volume and realized price resulting from the impact of COVID-19. The gross profit decreased from HK$224.5 million for the year ended 31 December 2019 ("FY2019") to HK$155.2 million for FY2020, mainly due to the decrease in gross profit of all segments under the impact of pandemic. The decrease in the Group's overall profit was primarily attributable to the impairment of assets arising from the results of forensic investigation. For FY2020, the Group's total gas sales and treatment volume decreased by 8.9% from the same period of last year to approximately 6,659.1 million cubic meters (FY2019: 7,306.2 million cubic meters), of which the gas sales from the subsidiaries for FY2020 amounted to 408.7 million cubic meters, and the gas sales and treatment volume from the associates of the Group amounted to 6,241.6 million cubic meters. The decrease of overall gas sales was mainly attributable to the lackluster economic performance and weak energy consumption due to the impact of COVID-19 in 2020. In terms of expenses, the Group actively optimized its financing structure with the assistance of the Company's substantial shareholders. For FY2020, the Group's finance costs amounted to HK$195.5 million, representing a decrease of 19.9% as compared to the corresponding period of last year (FY2019: HK$244.2 million). In the first half of the year, all convertible bonds were paid off, the proportion of commercial bank borrowings with lower costs further increased and overall finance costs decreased significantly over the corresponding period.

As at 31 December 2020, 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 Autonomous Region and Hainan Province.

The Group's major natural gas projects:

	Project Location	LNG/CNG refueling station			City gas		Direct supply to industrial users		Trading and distribution		Subtotal		LNG throughout				Subtotal		Total	
			As of December		As of December		As of December		As of December		As of December		As of December		As of December		As of December		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	480,000	2.7%	3,980,000	2.8%	–	0.0%	–	0.0%	4,460,000	1.1%	–	0.0%	–	0.0%	–	0.0%	4,460,000	0.1%
	Shandong Province	1	1,190,000	6.7%	–	0.0%	–	0.0%	3,170,000	2.3%	4,360,000	1.0%	–	0.0%	–	0.0%	–	0.0%	4,360,000	0.1%
	Guizhou Province	1	2,790,000	15.6%	1,460,000	1.0%	–	0.0%	–	0.0%	4,250,000	1.0%	–	0.0%	–	0.0%	–	0.0%	4,250,000	0.1%
	Guangdong Province	–	–	0.0%	–	0.0%	24,130,000	18.4%	–	0.0%	24,130,000	5.7%	–	0.0%	–	0.0%	–	0.0%	24,130,000	0.4%
	Anhui Province	–	–	0.0%	–	0.0%	3,700,000	2.8%	32,830,000	24.7%	36,530,000	8.6%	–	0.0%	–	0.0%	–	0.0%	36,530,000	0.5%
	Hainan Province	4	–	0.0%	–	0.0%	14,760,000	11.3%	80,000	0.1%	14,840,000	3.5%	–	0.0%	–	0.0%	–	0.0%	14,840,000	0.2%
	Beijing city	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Zhejiang Province	–	–	0.0%	–	0.0%	88,280,000	67.5%	75,610,000	56.8%	163,890,000	38.7%	–	0.0%	–	0.0%	–	0.0%	163,890,000	2.5%
	Shannxi Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	30,000	0.0%	30,000	0.0%	–	0.0%	–	0.0%	–	0.0%	30,000	0.0%
	Jilin Province	1	2,400,000	13.4%	34,590,000	24.5%	–	0.0%	–	0.0%	36,990,000	8.7%	–	0.0%	–	0.0%	–	0.0%	36,990,000	0.6%
	Shanxi Province	7	5,450,000	30.5%	92,360,000	65.4%	–	0.0%	–	0.0%	97,810,000	23.1%	–	0.0%	–	0.0%	–	0.0%	97,810,000	1.5%
	Guangxi Province	–	–	0.0%	–	0.0%	40,000	0.0%	9,280,000	7.0%	9,320,000	2.2%	–	0.0%	–	0.0%	–	0.0%	9,320,000	0.1%
	Ningxia Hui Autonomous Region	–	–	0.0%	–	0.0%	–	0.0%	1,040,000	0.8%	1,040,000	0.2%	–	0.0%	–	0.0%	–	0.0%	1,040,000	0.0%
	Shanghai city	–	–	0.0%	–	0.0%	–	0.0%	11,050,000	8.3%	11,050,000	2.6%	–	0.0%	–	0.0%	–	0.0%	11,050,000	0.2%
		15	12,310,000	68.9%	132,390,000	93.7%	130,910,000	100%	133,090,000	100.0%	408,700,000	96.6%	–	0.0%	–	0.0%	–	0.0%	408,700,000	6.3%
Associates	Hainan Province	8	2,561,797	14.3%	–	0.0%	–	0.0%	–	0.0%	2,561,797	0.6%	–	0.0%	–	0.0%	–	0.0%	2,561,797	0.0%
	Anhui Province	3	2,997,790	16.8%	–	0.0%	–	0.0%	–	0.0%	2,997,790	0.7%	–	0.0%	–	0.0%	–	0.0%	2,997,790	0.0%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	4,679,786,905	100.0%	1,556,290,746	100.0%	6,236,077,651	100.0%	6,236,077,651	93.6%
		11	5,559,587	31.1%	–	0.0%	–	0.0%	–	0.0%	5,559,587	1.3%	4,679,786,905	100.0%	1,556,290,746	100.0%	6,236,077,651	100.0%	6,241,637,238	93.6%
Joint Venture	Hubei Province	–	–	0.0%	8,826,302	6.3%	–	0.0%	–	0.0%	8,826,302	2.1%	–	0.0%	–	0.0%	–	0.0%	8,826,302	0.1%
		–	–	0.0%	8,826,302	6.3%	–	0.0%	–	0.0%	8,826,302	2.1%	–	0.0%	–	0.0%	–	0.0%	8,826,302	0.1%
		26	17,869,587	100%	141,216,302	100%	130,910,000	100%	133,090,000	100%	423,085,889	100%	4,679,786,905	100%	1,556,290,746	100%	6,236,077,651	100%	6,659,163,540	100%

* As at 31 December 2020, the Group had a total of 26 refueling stations.

Development and Operation of City Gas Business

During FY2020, the Group had 8 city gas projects located in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group connected gas pipelines for 31,623 new users and the accumulated number of users reached 509,066, of which 31,428 were new residential users and the accumulated number of residential users reached 506,377. The volume of natural gas sold by the Group to residential users amounted to 64.0 million cubic meters (FY2019: 72.6 million cubic meters). The Group secured 195 new industrial and commercial users and the accumulated industrial and commercial users reached 2,689, and the natural gas sold to industrial and commercial users reached 68.4 million cubic meters (FY2019: 94.1 million cubic meters), which was mainly due to the impact of the pandemic, a large number of enterprises have suspended production, resulting in a significant decrease in demand from industrial and commercial users. City gas business recorded an income of HK$639.5 million (FY2019: HK$565.0 million), which included a connection fee income of HK$122.7 million (FY2019: HK$68.3 million), representing an increase of 79.6% as compared to the corresponding period of last year.

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 China 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. With the independent operation of China Oil and Gas Pipeline Network Group, the channel of city gas business extending to the upstream of industrial chain will be opened, which will promote the formation of multi-source gas supply pattern and reduce the cost of gas consumption. 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.

Direct Supply to Industrial Users Business

During the year, the Group recorded an income of HK$361.7 million, representing a decrease of 15.9% as compared to the corresponding period (FY2019: HK$430.1 million), and sold 130.9 million cubic meters (FY2019: 135.0 million cubic meters) of natural gas to industrial users through the provision of the gas supply service, covering such provinces as Anhui Province, Hainan Province, Zhejiang Province, Guangdong Province and Guangxi Autonomous Region.

Trading and Distribution of LNG and CNG Business

As at 31 December 2020, 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 133.1 million cubic meters (FY2019: 675.9 million cubic meters) and segment sales amount in trading and distribution business of HK$402.3 million (FY2019: HK$1,527.1 million). In addition, the Group cooperated with Beijing Gas Singapore, a subsidiary of Beijing Gas, and sold 26,000 tonnes of Ethylene Glycol in 2020.

LNG and CNG Refueling Station Business

The Group sold natural gas for LNG vehicles (trucks and buses) and CNG vehicles (taxis, buses and private cars). During FY2020, the Group owned 26 gas refueling stations, including 16 CNG refueling stations and 10 LNG refueling stations (FY2019: 29 gas refuelling stations, including 17 CNG refueling stations and 12 LNG refueling stations), with gas sales of 12.3 million cubic meters (FY2019: 35.6 million cubic meters) and sales income of HK$59.7 million (FY2019: HK$153.9 million), representing a decrease of 61.2% as compared to the corresponding period of last year, mainly because demand from transportation industry weakened under the pandemic. The Group will develop regional LNG refueling stations based on its layout of the whole LNG industrial chain in the future.

LNG Receiving Terminal Project

In FY2020, the total throughput volume of Petrochina Jingtang (Caofeidian Jingtang LNG Receiving Terminal) project reached 6,236.1 million cubic meters (FY2019: 6,275.8 million cubic meters), among which, the gas volume externally delivered to the pipelines through gasification was 4,679.8 million cubic meters (FY2019: 5,503.0 million cubic meters), while the gas transportation volume of tank trucks was 1,556.3 million cubic meters (FY2019: 772.8 million cubic meters), representing a significant increase as compared to 2019, which was mainly because the receiving terminal adjusted its gas supply strategy based on market changes and increased the transportation volume of LNG tanks.

Expansion Initiatives

In 2020, the Group was granted an additional gas concession right. The Group entered into the agreement of concession right located in Jilin Chagan Lake Ecological Town with People's government of Qianguoerluosi Mongolian Autonomous County to officially obtain the concession right in Jilin Chagan Lake Ecological Town.

FUTURE PROSPECTS

2021 marks the start of China's 14th Five-Year Plan. Under the background of "peak carbon dioxide emissions and carbon neutrality" policy, the share of total traditional energy consumption will show a downward trend, and demands for natural gas will continue to grow. In February, the State Council released a guideline to accelerate the development of a green and low-carbon circular economic development system to promote the green and low-carbon transformation of the energy system. With implementation of the policy of "liberalizing production and retail and controlling transmission and distribution", PipeChina's further steps and the further implementation of the policy of "upstream diversification", increasing reserves and production has been steadily promoted and the construction of gas storage and peak regulation facilities has been accelerated, which bring about more development opportunities for the natural gas industry.

Continue to develop LNG whole industry chain business and city gas business

Benefiting from the further implementation of policy of "liberalizing production and retail and controlling transmission and distribution" during the 13th Five-Year Plan period, the market-oriented reform will be further promoted in the 14th Five-Year Plan period. The energy production, supply, storage, transportation and marketing system will be gradually improved. This will help develop a more matured natural gas industry chain from the upstream, middle to downstream. Fully leveraging substantial shareholders' and its internal resources, the Group will actively explore industry opportunities, continue to focus on developing LNG whole industry chain business and city gas business, and expand its comprehensive advantages as "gas source as well as the terminal".

In the future, Beijing Gas Group Co., Ltd ("Beijing Gas"), a substantial shareholder of the Company, 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. LNG receiving terminal at Nangang Industrial Zone in Tianjin is crucial to our layout of the Group's natural gas business development. The Group will have more cooperation opportunities with the substantial shareholder, Beijing Gas, in constructing LNG wharf and trading of LNG. This will benefit the Group's layout in the Beijing-Tianjin-Hebei region, further leverage regional synergies on the basis of the Group's existing business, increase its market share and influence, and enhance its overall LNG delivery and distribution capabilities.

In terms of terminal 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.

Substantial shareholder assigned management personnel to the Company to promote regulated management

Since Beijing Gas assigned management personnel to the Group in 2020, the management and business capabilities of the Group have been continuously improved. The substantial shareholder has dispatched new members of the Board and management team with rich experience in natural gas industry and corporate management. Under the leadership of the new session of the Board and management team, the Group initiatively adjusted its strategies for every specific period, continuously perfected its internal management systems and procedures, and proactively tackled problems that have been identified.

The Group is proactively communicating with our substantial shareholder to seek for its assistance from various aspects. The Group looks forward to, with the support from the substantial shareholder, making further progress in strategic synergy, business support, investment and financing arrangements, talent recruiting and management enhancement in the future.

In terms of business, with the establishment of PipeChina, 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 industrial and commercial 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 substantial 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. The Group expects to strengthen interaction with the substantial shareholder when carrying on the city gas and LNG business to enhance its business synergies. Meanwhile, the Group will stick to the principle of cost-saving and efficiency-increasing. It will strictly control expenses and improve efficiency in executing projects to enhance the Group's overall profitability.

In terms of financing, the Group expects to continue to expand financing channels, optimize the financing structure through cooperation with more commercial banks, increase current loans, and refinance the original debt at lower costs so as to achieve a reasonable cost reduction and profitability enhancement.

In terms of capital market planning, as the only listed platform and operator of LNG business for our substantial shareholder Beijing Gas, the Group may take chance for suitable mergers and acquisitions in the future as business grows. It may also implement capital plans in the future, including but not limited to capital injection plan. As of the date of this announcement, no such formal plan has been formulated, and the Company will make announcement(s) as and when appropriate in accordance with the applicable laws and regulations.

In terms of talent management, we will bring in professionals owning rich experience in management and in the industry for key departments, and provide more vocational training for all personnel. Moreover, we will develop a better performance appraisal indicator system to maximize the guiding and encouragement function of performance appraisal. We will also enhance the construction of corporate culture to further help employees and the Group to grow together. All in all, we will strive to work together from all aspects to achieve the Group's goal of healthy and high-quality development.

FINANCIAL REVIEW

Revenue

Revenue decreased by 45.3% from HK$2,676.1 million for the year ended 31 December 2019 to HK$1,463.1 million for the year ended 31 December 2020, which was mainly due to (i) presentation in net basis, revenue of HK$874.1 million in 2020 has been adjusted; and (ii) decrease of realized price and total business volume resulting from the impact of COVID-19.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$155.2 million for the year ended 31 December 2020 which decreased by HK$69.3 million from HK$224.5 million for the year ended 31 December 2019, which was mainly due to decrease in gross profit of all segments as a result of the impact of COVID-19. Segment profit decreased from HK$492.8 million for the year ended 31 December 2019 to a loss of HK$2,896.5 million for the year ended 31 December 2020, which was mainly due to impairment and write-off of assets in each segment.

Earnings/losses before Interests, Tax, Depreciation and Amortisation

Earnings/losses before interests, tax, depreciation and amortisation decreased from HK$480.9 million for the year ended 31 December 2019 to losses of HK$3,559.7 million for the year ended 31 December 2020. It was resulted by the lockdown policy from the government in order to terminate the COVID-19 spread, which affected the refueling stations and trading and distribution natural gas business.

Other Income and Gains, Net

Other income and gains, net decreased from HK$165.6 million for the year ended 31 December 2019 to HK$34.8 million for the year ended 31 December 2020, which was mainly due to the decrease in government subsidies by HK$96.5 million, interest income by HK$26.1 million and exchange gain by HK$11.2 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 7.0% from HK$339.3 million for the year ended 31 December 2019 to HK$363.1 million for the year ended 31 December 2020. It was mainly due to the increase in staff costs of HK$28.0 million.

(b) Other expenses, net

Other expenses, net increased from HK$22.7 million for the year ended 31 December 2019 to HK$254.5 million for the year ended 31 December 2020, which was mainly due to the combined effect of write-off of financial assets at fair value through profit or loss and inventories and income from recovery of assets amounting to HK$218.4 million.

(c) Finance costs

Finance costs decreased from HK$244.2 million for the year ended 31 December 2019 to HK$195.5 million for the year ended 31 December 2020 which was mainly due to the decrease in interests on convertible bonds by HK$11.4 million.

(d) Income tax credit/(expenses)

Income tax expense was calculated at the applicable tax rates on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the year ended 31 December 2019 and 2020 respectively. Income tax credit of HK$110.8 million for the year ended 31 December 2020 represented the current taxation arising from the PRC subsidiaries of HK$73.3 million and the deferred tax credit of HK$184.1 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Loss attributable to the owners of the Company

The Group's loss for the year attributable to the owners of the Company was arrived at HK$3,716.3 million for the year ended 31 December 2020, representing an increase by HK$3,705.4 million from the year ended 31 December 2019.

(f) Impairment, write-off and reversal of assets and financial assets and income from recovery of assets

Total impairment and write-off of assets and financial assets of HK$3.82 billion for the year ended 31 December 2020 were included in the loss for the year, which mainly involved impairment of goodwill of HK$869.6 million, impairment of trade receivables of HK$135.9 million, impairment of intangible assets of HK$660.5 million, impairment of deposit of acquisition of subsidiaries of HK$772.0 million, impairment of investments in associate of HK$159.9 million, impairment of investments in joint venture of HK$177.8 million, write-off of financial assets at fair value through profit or loss of HK$223.6 million, impairment of property, plant and equipment of HK$159.0 million, write-off of inventory of HK$59.8 million, impairment of deposit for acquisition of property, plant and equipment of HK$49.6 million, impairment of prepayments, deposits and other receivables of HK$578.8 million, impairment of right-of-use assets of HK$9.0 million, impairment of amounts due from associates of HK$30.8 million and income from recovery of assets of HK$65.0 million. Apart from the above, write-off of assets was included in other comprehensive income of HK$111.4 million.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The following is an extract from the independent auditor's report (the "Independent Auditor's Report"):

"We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters and the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance."

Please refer to the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report set out on pages 119 to 131 of this report for further details on the basis for the auditor's disclaimer of opinion.

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION AND ACTIONS TO BE TAKEN BY THE GROUP

The following sets forth the management's position, view and assessment on the disclaimer of opinion and where appropriate, actions to be taken by the Group to address the disclaimer of opinion:

1. Impairment/write-off of assets recognised during the year ended 31 December 2020

During the course of the preparation of the consolidated financial statements for the year ended 31 December 2020, the management had taken into account the findings of the forensic investigation, considered the relevant information and supporting evidence available and estimated the financial impact of the matters identified in the forensic investigation. The management also reassessed the impairment of the remaining assets of the Group and the accounting treatment of certain other transactions that occurred in prior years.

However, since the impairment/write-off were determined based on the current circumstances of the related transactions/events, the management was unable to determine if any of the impairment/write-off should have been recognised in the prior years and thus the impairment/write-off were recognised in the Group's consolidated financial statements for the year ended 31 December 2020 and no prior year adjustments were made.

2. Impairment of goodwill, intangible assets, and property, plant and equipment

The management is of the view that there is no evidence that the Group has violated the current law and regulations in Mainland China in respect of the Group's direct supply of natural gas business and there is no penalty being imposed by the government authorities on the Group's business. In order to fully eliminate the related operating risk, the Group is currently taking the appropriate measures to cope with the situation. Thus, for impairment assessment purposes, the management assumes that the Group's direct supply of natural gas business will be continued uninterrupted.

To address this audit issue, the Group will entrust external parties with the proper licenses to carrying out the storage and transformation of LNG into pipelined gas processes and the Group will only trade LNG to the end users which is within the scope of business license. The Group will also engage an external legal advisor to issue a legal opinion on the legality of the revised arrangement. It is expected that the aforementioned steps could be completed by the end of February 2022.

3. Deposits paid for acquisition of subsidiaries

In respect of item 3(a), according to the latest negotiations, the Zhejiang Bochen Current Shareholder (as defined in the Independent Auditor's Report) and the Zhejiang Bochen Original Shareholder (as defined in the Independent Auditor's Report) have agreed to transfer the 84% and 16% interests in 浙江博臣能源股份有限公司 (Zhejiang Bochen Energy Co., Ltd.) to the Group at nil consideration but the transfer is not yet completed as at the date of the approval of the 2020 financial statements.

In respect of item 3(b), the Board is currently in negotiation with the Tangshan Huapu Original Shareholder (as defined in the Independent Auditor's Report) on the final consideration to be payable by the Group in respect of the Group's acquisition of 51% of the equity interest of 唐山華普燃氣有限公司 (Tangshan Huapu Gas Co., Ltd.).

In respect of item 3(c), the Board is currently in negotiation with an individual third party which held all of the equity interest in 山西民生天然氣有限公司 (Shanxi Minsheng Natural Gas Co., Ltd.) ("Shanxi Minsheng") and 永濟市民生天然氣有限公司 (Yongji Minsheng Natural Gas Co., Ltd.) ("Yongji Minsheng") for the acquisition of a further 39% further interest in Shanxi Minsheng and Yongji Minsheng.

In view of the latest progress of the above acquisitions, the management is of the view that carrying amounts of the deposits paid for the acquisitions as at 31 December 2020 could be recovered through successful acquisition of the companies.

To address this audit issue, the Group will enter into formal agreements for the acquisitions and to confirm the implication of each transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). It is expected that the aforementioned steps could be completed by the end of February 2022.

4. Unsubstantiated cash payments and receipts

The Board noted that after the completion of the acquisition of equity interest in Shanxi Minsheng, the Group paid, through Shanxi Minsheng, an aggregate amount of RMB134 million to a person (the "Person") who did not appear to have a business relationship with the Group. The Board noted that prior to the payment to the Person, certain current account offsetting agreements were entered into between Shanxi Minsheng, the Person and certain persons and suppliers (the "Original Creditors") and the amounts became payable by the Group to the Person (the "Offsetting Arrangements") prior to the payment made by Shanxi Minsheng to the Person. Since the account offsetting agreements were entered into before the current management was on board, the current management is unable to locate all the offsetting agreements and provide them to the auditors and the Board could only obtain the account offsetting agreements for certain of the amounts being setoff.

In August 2021, the Company entered into an agreement with certain parties, including the buyer (the "Buyer") of the Group's printing business in prior years who is suspected to be related to the Person, pursuant to which the Buyer confirmed that HK$65 million was still owed by the Buyer to the Group in respect of the acquisition of the Group's printing business by the Buyer in prior years and the Buyer agreed to settle the amounts by installments. Up to the date of approval of the consolidated financial statements, HK$12 million was settled by the Buyer to the Group according to the terms of the agreement. The Board recognised HK$65 million as other receivable and the amount was included in "Prepayments, deposits and other receivables" in the consolidated statement of financial position as at 31 December 2020. The same amount was credited to the Group's profit or loss during the year and the amount was included in the "Other expenses, net" in profit or loss for the year ended 31 December 2020.

To address this audit issue, the Group will enter into agreements with Original Creditors to confirm that no liabilities are due by the Group to Original Creditors. It is expected that the aforementioned agreements could be entered into by the end of December 2021.

5. Consolidation

(a) Item 5(a)

In respect of item 5(a), after discovering the existence of the Service Agreements (as defined in the Independent Auditor's Report), the Company conducted a detailed review on such agreements and categorised the Relevant Companies (as defined in the Independent Auditor's Report) into the following three categories, namely, (i) companies which have become subsidiaries or associates of the Company upon completion of the relevant acquisition; (ii) companies to be acquired by the Group; or (iii) companies which have no business relationship with the Group and are not subsidiaries, associates or joint ventures of the Company. The management categorically denies the validity of these Service Agreements.

In preparing the Group's consolidated financial statements for the year ended 31 December 2020, the management has taken into consideration the following matters relating to the Relevant Companies:

(a) the Relevant Companies which are not yet acquired by the Group were not consolidated or equity accounted by the Company as the Group had no control or significant influence over these companies; and

(b) for investments that were acquired by the Group with the involvement of the Relevant Companies:

  (i) the management reassessed the legal ownership of the acquired subsidiaries and confirmed that all companies within the scope of the Group's consolidation are legally owned by the Group as at 31 December 2020 and up to the date of approval of the financial statements;

  (ii) the management considered the investment costs incurred for each of the acquisitions should be accounted for based on the agreed consideration as stipulated in the equity transfer agreements entered into between the Group and the counterparties. Any amounts paid in excess of the agreed consideration (if any) were written off/impaired, except for the amounts that will be repaid by the counterparties. Goodwill and intangible assets arising from acquisition of subsidiaries is adjusted based on the revised investment costs (if any) and impairment is tested on the adjusted goodwill and intangible assets.

(iii) for investments in associates, joint ventures and other investments acquired by the Group with the involvement of the Relevant Companies, the management reassessed the legal ownership. For the investments that are not legally owned by the Group as at 31 December 2020, the carrying amounts have been written off.

The management understood from the auditors that due to the lack of external legal opinion to conclude whether the Unacquired Relevant Companies (as defined in the Independent Auditor's Report) are legally held by the Group, the auditors were unable to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group. To address this audit issue, the Group will communicate with Mr. Cheng Ming Kit ("Mr. Cheng") and the Nominees (as defined in the Independent Auditor's Report) to dissociate the Service Agreements with the Group which is expected to be completed by the end of December 2021. In addition, the Group will also negotiate with Mr. Cheng for the acquisition of certain of the Unacquired Relevant Companies with business relationship with the Group and to dissolve the remaining Unacquired Relevant Companies if the aforesaid dissociation does not proceed. Such steps are expected to be completed by the end of February 2022.

(b) Item 5(b)

In respect of item 5(b), due to a dispute with the New JV Partner (as defined in the Independent Auditor's Report), the official company chop of 錢唐融資租賃股份有限公司 (Qian Tang Finance Lease Co., Ltd.) ("Qian Tang") is being kept by the New JV Partner. The books and records of Qian Tang for the year ended 31 December 2020 were prepared by the New JV Partner and the management is unable to access the accounting vouchers prepared by New JV Partner during the year and only the accounting system could be accessed by the management. Thus, the management is of the view that the Group is unable to control the relevant activities, including but not limited to business, financial and operational matters of Qian Tang (the "Relevant Activities"), despite that the Group is able to control the composition of the board of directors of Qian Tang according to the current articles of association. Consequently, Qian Tang was accounted for as a joint venture by the Group as at 31 December 2020 and 2019 and during the year.

To address this audit issue, the Group will take the necessary actions, including legal actions, to control the Relevant Activities of Qian Tang. Proper accounting treatment (and prior year adjustments, if necessary) will be applied by the Group on the investment in Qian Tang. The aforementioned steps are expected to be completed by the end of December 2021.

(c) Item 5(c)

In respect of item 5(c), the auditors noted that certain of the intra-group balances as at 31 December 2020 and 2019 could not be eliminated in full on consolidation. No further audit evidence could be provided by the management to the auditors until the differences on the intra-group balances are reconciled by the management.

To address this audit issue, the Group is currently investigating the differences of the intra-group balances. Accounting adjustments (and prior year adjustments, if necessary) are expected to be made by the Group by the end of December 2021.

6. Related party transactions

(a) Item 6(a)

The management is of the view that, in respect of the Group's related party transactions, related parties were identified by the management for significant transactions and the terms of agreements, including pricing policies, were approved by the Board.

To address this audit issue, the Group will establish a clear internal control mechanism for related party transactions, including but not limited to, identification of related parties, preparation and regular updates on the list of related parties, pricing policies and terms of contracts, regular reconciliation of transactions and balances with related parties etc. It is currently expected that the aforementioned mechanism will be put in place by the end of November 2021.

(b) Item 6(b)

Please refer to the disclosure under the paragraph headed "Consolidation – Item 5(a)" above for further information.

7. Investments in associates and joint ventures

In respect of the audit issues relating to the financial information of Qian Tang and the amounts due by the Group to Qian Tang, no further evidence could be provided to the auditors until the dispute with the New JV Partner is revolved or other actions are taken by the management to control the Relevant Activities of Qian Tang. There was no major judgmental area for this disclaimed item.

To address this audit issue, in particular those related to Qian Tang, please refer to the disclosure under the paragraph headed "Consolidation – Item 5(b)" above for further information. For the remaining material associates and joint ventures, the Group will communicate with the major shareholders for the permission to allow the auditors to perform the necessary audit work, or to allow the auditors to obtain group reporting from the statutory auditors and/or to review their work papers. It is expected that the aforementioned steps could be completed by the end of January 2022.

8. Unreturned loan confirmations and bank confirmations

(a) Item 8(a)

During the audit, the auditors arranged direct confirmations to the bondholders based on the addresses as stated in the original loan agreements but certain of the confirmations were not returned. The management was unable to obtain the latest addresses of the bondholders, despite that bank loan interests had been settled by the Group regularly to the bank accounts as stipulated in the loan agreements. There was no major judgmental area for this disclaimed item.

To address this audit issue, the Group will continue to contact the bondholders for the unreturned confirmations and it is expected that such confirmations could be obtained by the end of December 2021.

(b) Item 8(b)

In addition, the management noted that the auditors were unable to obtain bank confirmations or bank statements directly from (i) three banks outside of Mainland China (including a bank in Hong Kong), as the Board was unable to arrange the signature from the authorised person on the confirmations and the Board was unable to arrange the change of authorised signature with the related banks; and (ii) a bank located in Hong Kong, as the bank account had been closed during the year. There was no major judgmental area for this disclaimed item.

To address this audit issue, the Group will close the overseas bank accounts if authorised signature cannot be changed. For the bank account in Hong Kong which requires signature by the director who stations in Mainland China, the Group will ensure the bank confirmation will be signed by such director for the upcoming audit. It is expected that the aforementioned steps will be completed by the end of December 2021.

9. Prior years' purchase price allocations for the acquisition of subsidiaries and an associate

(a) Item 9(a)

In prior years, the Group had acquired a number of subsidiaries and intangible assets were recognised as a result of the purchase price allocation ("PPA") for certain of the acquisitions. The valuations were performed by certain external valuers in prior years for the purpose of determining the financial impact of the PPAs by the then management and the cash flow forecasts used for the income approach in determining the fair value of the intangible assets were also prepared by the then management. The current management provided the valuation reports to the auditors but the documentation on the cash flow forecasts, including the basis of key assumptions adopted by the then management, could not be found by the current management. There was no major judgmental area for the disclaimed item.

To address this audit issue, the Group will engage external professional valuer to reperform the valuation of the fair value of intangible assets (operating concessions) arising from the acquisitions which is expected to be completed by the end of December 2021.

(b) Item 9(b)

During the year ended 31 December 2018, the Group acquired certain equity interests in a company which was classified as an associate by the Group (i.e. 中石油京唐液化天然氣有限公司 (PetroChina Jingtang LNG Co., Ltd) ("PetroChina Jingtang")). For the purpose of the PPA, the identifiable assets and liabilities of the associate acquired were assessed by the then management based on independent valuations prepared by an independent professional valuer. The auditors had obtained the valuation report issued by the independent professional valuer but the auditors were unable to obtain from the external valuer on the reason why the fair value of the property, plant and equipment of PetroChina Jingtang was close to their then book values. There was no major judgmental area for the disclaimed item.

To address this audit issue, the Group will engage external professional valuer to reperform the valuation of the fair value of the property, plant and equipment of the associate (i.e. PetroChina Jingtang), which is expected to be completed by the end of December 2021.

10. Revenue from the trading of goods

The management noted that except for the trading transactions with purchases of LNG from large suppliers, the Group acted as an agent in the remaining trading transactions in which the Group did not have direct involvement in the transportation and delivery of goods. The management also noted that the Group does not have a clear internal control mechanism in respect of the Group's trading business, including operating processes, pricing policies, credit policies, contract management etc. and the Group did not keep the proper documentations on the business rationale of certain of the trading transactions.

Thus, except for the trading transactions in which the Group purchased goods from large suppliers, the management had accounted for the remaining trading transactions with gross amount of sales and cost of sales amounted to HK$874 million and HK$868 million, respectively on a net basis and net income of HK$6 million had been recognised in the Group's revenue for the year ended 31 December 2020.

To address this audit issue, a clear internal control mechanism will be established by the Group in respect of the Group's trading business, including but not limited to, selection of suppliers and customers, credit policies, pricing policies, cash flows, contract management, etc. It is expected that the internal control mechanism will be established by the end of November 2021.

11. Disagreement on accounting treatment affecting opening balances

The management is of the view that since the error only relates to the reclassification of items in the statement of financial positions as at 31 December 2019 and there was no impact to the Group's total non-current assets, total current assets, total non-current liabilities and total current liabilities amounts, no restatement of the prior year's balances was considered necessary.

12. Material uncertainties relating to going concern

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continues as a going concern. The Company has been undertaking various plans and measures to improve the Group's liquidity and financial position. Further details of such actions are set out in note 2.2 to the financial statements. The directors of the Company are of the opinion that, taking into account the possible assistance from a major shareholder, debt restructuring arrangement, the resumption of trading of the Company's shares and the existing internal financial resources 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.

To address this audit issue, the Group will continue to discuss with the major shareholder for assistance. The Group will also continue to negotiate with the banks and bond holders for a standstill moratorium before the resumption of trading of the Company's shares and restructuring scheme arrangement, which is expected to be completed by the end of April 2022.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The audit committee of the Company (the "Audit Committee") had critically reviewed the major judgement areas relating to the disclaimer of opinion and there was no disagreement between the Audit Committee and the management in this regard. The Audit Committee agreed with the management's position based on the reasons set forth in paragraph headed "The Management's Position, View and Assessment on the Disclaimer of Opinion and Actions to be Taken by the Group" above. Moreover, the Audit Committee requested the management to take all necessary actions to address the audit issues resulting in the disclaimer of opinion so that no such disclaimer of opinion will be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the auditors' rationale and understood their consideration in arriving at their opinion.

DISPOSAL OF EQUITY INTEREST

On 3 July 2020, Shenzhen Feida Energy Co., Ltd. (深圳翡達能源有限公司), Shenzhen Jinzhifu Energy Co., Ltd. (深圳金置富能源有限公司) and Shenzhen Zhanding Technical Service Co., Ltd. (深圳展頂技術服務有限公司), (the "Vendors") each being an indirect wholly-owned subsidiary of the Company, and the Company, as guarantor, entered into the share purchase agreements with SK E&S HongKong Corporation Limited (the "Purchaser"), pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire 30% equity interest in each of Ningbo Beilun Bochen Energy Trading Co., Ltd. (寧波北侖博臣能源貿易有限公司), Huzhou Bochen Natural Gas Co., Ltd. (湖州博臣天然氣有限公司) and Zhejiang Boxin Energy Co., Ltd (浙江博信能源有限公司) at a consideration of RMB37.5 million, RMB30.0 million and RMB61.5 million, respectively. For details, please refer to the announcement of the Company dated 3 July 2020.

Due to the disagreement between shareholders of both parties on certain terms of the contract including equity cooperation and natural gas sales and purchase, both parties agreed to terminate the natural gas purchase and sales and equity cooperation through friendly negotiation in July 2021. The termination agreement is currently being reviewed by the headquarter of SK Holdings Co., Ltd. and is expected to be signed in October 2021.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances amounting to HK$705.4 million as at 31 December 2020 (31 December 2019: HK$542.3 million), an increase by 30.1% from 31 December 2019. In addition, the Group had pledged deposits of HK$47.0 million as at 31 December 2020 (31 December 2019: Nil).

The Group had total borrowings of HK$3,518.4 million as at 31 December 2020 (31 December 2019: HK$2,859.3 million). The Group's leverage ratio, which is total borrowings divided by the total assets was 64.3% (2019: 33.0%).

The Group's non-current assets decreased to HK$3,785.7 million (31 December 2019: HK$6,488.8 million), primarily due to the decrease in (i) goodwill by HK$1,218.0 million; (ii) intangible assets by HK$740.0 million; (iii) interests in joint venture by HK$170.7 million; (iv) right-of-use assets by HK$176.0 million; (v) deposits for acquisition of subsidiaries by HK$336.9 million; and (vi) equity investment at fair value through other comprehensive income by HK$119.0 million.

As at 31 December 2020, the Group's current assets amounted to HK$1,687.6 million (31 December 2019: HK$2,168.5 million), mainly comprised of trade receivables of HK$249.3 million (31 December 2019: HK$360.9 million); cash and bank balances of HK$705.4 million (31 December 2019: HK$542.3 million); pledged deposits of HK$47.0 million (31 December 2019: Nil); amounts due from joint ventures of HK$41.8 million (31 December 2019: HK$38.0 million); inventory of HK$18.4 million (31 December 2019: HK$54.4 million); contract assets of HK$52.6 million (31 December 2019: HK$46.6 million); financial assets at fair value through profit or loss of HK$7.1 million (31 December 2019: HK$220.2 million); prepayments, deposits and other receivables of HK$564.9 million (31 December 2019: HK$874.8 million) and amounts due from associates of HK$1.2 million (31 December 2019: HK$31.3 million).

As at 31 December 2020, the Group's current liabilities amounted to HK$4,379.2 million (31 December 2019: HK$3,216.6 million), mainly comprised of bank and other borrowings of HK$3,364.8 million (31 December 2019: HK$2,167.4 million); other payables and accruals of HK$497.0 million (31 December 2019: HK$285.4 million); trade and bills payables of HK$357.1 million (31 December 2019: HK$354.8 million); lease liabilities of HK$4.6 million (31 December 2019: HK$35.6 million); amounts due to joint ventures of HK$151.3 million (31 December 2019: nil); amounts due to associates of HK$4.4 million (31 December 2019: nil) and no convertible bonds (31 December 2019: HK$373.4 million).

As at 31 December 2020, the net current liabilities of the Group amounted to HK$2,691.5 million (31 December 2019: net current liabilities of HK$1,048.1 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.39 as at 31 December 2020 (31 December 2019: 0.67).

The Group's net liability ratio (expressed as net borrowings, including bank and other borrowings and convertible bond, divided by total equity), was 341.4% as at 31 December 2020 (31 December 2019: 50.7%).

During the year ended 31 December 2020, 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 2020, there were 1,052 (31 December 2019: 1,008) 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.

TAX RELIEF

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

CHARGES ON GROUP'S ASSETS

As at 31 December 2020, the bank borrowings of approximately HK$23,831,000 (2019: HK$39,148,000) were secured by certain right-of-use assets and property, plant and equipment of the Group with total carrying amounts of approximately HK$9,000,000 (2019: HK$9,548,000), shares charged over 100% equity interest of a subsidiary of the Company and guarantee from the substantial shareholder of the Company. The remaining bank borrowings of approximately HK$2,581,902,000 (2019: HK$1,190,241,000) were unsecured. The Group's secured bank borrowings were secured by the Group's bank balances of HK$46,993,000 (2019: Nil) as at 31 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGES RATES

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

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for the year ended 31 December 2020.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Weiqi ("Mr. Li"), aged 46, has been appointed as an executive Director and chief executive officer of the Company since 6 July 2020. He graduated from City Gas Engineering of Beijing University of Civil Engineering and Architecture in 1998 and is a senior engineer. Mr. Li served as the manager of the capital operation department of Beijing Gas Group from April 2018 to November 2020 and served as the deputy manager of planning and development of Beijing Gas Group from December 2012 to August 2016. Mr. Li has ever worked in various departments in Beijing Coal Heat Institute for more than 10 years, including the planning and operation, consulting design and marketing departments, and has work experience in the Gas Management Office of the Beijing Municipal Management Committee. Mr. Li has more than 20 years of experience in natural gas design and planning, infrastructure investment, market development, corporate governance and capital operation. Mr. Li was an executive Director of the Company from 21 February 2017 to 26 September 2019.

Mr. Jin Qiang ("Mr. Jin"), aged 51, has been appointed as an executive Director since 27 September 2019. He has been a senior executive vice president since 14 October 2019, and served as 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 Institute of Architecture and Civil Engineering (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 Beijing Gas Company (北京市煤氣公司) from 1992 to 2000 and served as the deputy manager of corporate safety department of Beijing Gas Group from August 2013 to April 2018.

Ms. Yang Fuyan ("Ms. Yang"), aged 46, has been appointed as an executive Director and chief financial officer of the Company since 6 July 2020. She graduated from Accounting of Beijing Institute of Petrochemical Technology (北京市石油化工學院) in 1997 and obtained a master degree in Economics from East Kazakhstan State Technical University (哈薩克斯坦東哈薩克斯坦國立技術大學) and is a senior accountant. Ms. Yang has over 20 years of experience in accounting at various energy companies. Ms. Yang has been the manager of finance department of Beijing Gas Group since January 2021.

Mr. Ye Hongjun ("Mr. Ye"), aged 47, has been appointed as an executive Director since 6 July 2020. He graduated from Industrial Design of Shenyang Ligong University (瀋陽理工大學) in 1996. He joined the Group in September 2016 and is a senior vice president of the Group. Mr. Ye has over 20 years of experience in market development, operation and management in various energy companies. He worked at Xin Ao Gas from June 2001 to May 2011 and other energy companies from May 2011 to July 2016.

NON-EXECUTIVE DIRECTOR

Mr. Zhi Xiaoye ("Mr. Zhi"), aged 53, has been a non-executive Director and co-chairman of the Board since 11 May 2016, and has served as the sole chairman of the Board of the Group since 6 July 2020. He is also the chairman of the Nomination Committee. Mr. Zhi graduated from Beijing University of Technology with a master degree in Management Science and Engineering. He has ever worked at Tokyo Gas in Japan as a researcher, and is a professor level senior engineer. He worked at Beijing Gas as a transmission branch manager, at Beijing Dingxin New Technology Company Limited (北京市鼎新新技術有限公司) as the chairman and at Beijing Gas Group as an executive deputy general manager. Mr. Zhi has plenty of experience in pipe gas business and corporate management. He has been the vice president of Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange, stock code: 392) since July 2014 and is also a director and general manager of Beijing Gas Group Co, Ltd.

Mr. Cheng Ming Kit ("Mr. Cheng"), aged 46, has been re-designated as a non-executive Director and deputy chairman of the Board since 6 July 2020. He was appointed as an executive Director on 7 May 2014. From 19 January 2018 to 6 July 2020, Mr. Cheng also served as the chief executive officer of the Company and was the co-chairman of the Board. He has been re-designated as a non-executive Director and deputy chairman of the Board of the Company since 6 July 2020. Mr. Cheng's duties were suspended since 16 January 2021. Mr. Cheng 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 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, shares of which are listed on the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Siang Kai ("Mr. Lim"), aged 64, has been an independent non-executive Director since 26 March 2007. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. 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, 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 57, has been an independent non-executive Director since 26 March 2007. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. 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 53, has been an independent non-executive Director since 3 November 2014. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. 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 Asset Management Corporation. He was an executive director of KOALA Finance Group Limited (stock code: 8226) until 30 June 2017, shares of which are listed on the GEM of the SEHK. He holds a bachelor's degree in accounting and finance, a master's degree in finance, a master's degree in linguistics. He is a member of the American Institute of Certified Public Accountants.

Mr. Cui Yulei ("Mr. Cui "), aged 43, has been appointed as an independent non-executive Director since 6 July 2020. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Cui obtained a bachelor degree of Law from Northwest University of Political Science and Law (西北政法大學) in 2000. He has over 20 years of experience in State-owned Assets matters, litigation, arbitration and reconciliation and cross-border investments. Mr. Cui has been an attorney at law at Grandall Law Firm (Beijing) (國浩律師(北京)事務所) since September 2017.

Ms. Hsu Wai Man Helen ("Ms. Hsu"), aged 51, has been appointed as an independent non-executive Director since 6 July 2020. She is also the chairwoman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Ms. Hsu graduated from the Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She has more than 20 years of experience in accounting. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is currently an independent non-executive director of Richly Field China Development Limited (stock code: 313), China Display Optoelectronics Technology Holdings Limited (stock code: 334) and Perfect Medical Health Management Limited (stock code: 1830), the shares of which are listed on the Main Board of the Stock Exchange and Perfect Optronics Limited (stock code: 8311), a Company listed on GEM of the Stock Exchange. Ms. Hsu was also an independent non-executive director of Circle International Holdings Limited (stock code: CCH) from September 2017 to May 2020, which is listed on the National Stock Exchange of Australia (NSX). She was an independent non-executive director of Harmonicare Medical Holdings Limited (stock code: 1509) from August 2020 to March 2021, a company which was delisted on the Main Board of the Stock Exchange on 25 March 2021.

SENIOR MANAGEMENT

Mr. Wu Haipeng ("Mr. Wu"), aged 46, has served as vice president of the Group since 20 February 2021, and head of the Safety Management Committee of the Group since 4 June 2021. He obtained a bachelor degree in industrial automation from Daqing Petroleum Institute (now Northeast Petroleum University) in 1998 and a master degree in gas engineering and management from MINES ParisTech in January 2012 and is a senior gas manager. From 1998 to 2018, Mr. Wu successively held important positions in the operation and control department, control center and management of the investment company of Beijing Gas Group. From October 2018 to February 2021, he served as assistant manager of Investment Center of Beijing Gas Group, mainly in charge of legal, financial, auditing and other affairs. He has extensive experience in gas pipeline network operation, gas station operation and safety management.

Mr. Chen Ning ("Mr. Chen"), aged 41, has been the vice president of the Group since 21 July 2021. He holds a master degree in management from Beijing Information Science and Technology University and is a certified public accountant and a senior accountant of the PRC. Mr. Chen has more than 10 years of experience in financial management in Beijing Gas Group and has successively served as chief financial officer in several subsidiaries of the Beijing Gas Group.

Ms. Annie Chen ("Ms. Chen"), aged 42, has been appointed as the Company Secretary of the Company since 16 January 2021. She has served as vice president of our Group since 21 July 2021. Ms. Chen is a practising solicitor in Hong Kong with extensive experience in legal and company secretarial matters.

Mr. Cai Jianfeng ("Mr. Cai"), aged 52, has been the vice president of the Group since 14 October 2019. He graduated from Fujian University of Technology in 1989, majoring in business management. He has a long-term position in management of foreign enterprises and state-owned enterprises. Mr. Cai has more than 10 years of experience in senior management in trading and logistics of LNG, project development of LNG and safe operation in several energy companies, and has extensive experience in corporate investment management and corporate governance.

Mr. Che Fuli ("Mr. Che"), aged 45, has been the vice president of the Group since 1 November 2016. 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 more than 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, stock code: 2688), and Towngas China Company Limited (a company listed on the Stock Exchange, stock code: 1083) and held various positions as deputy general manager, general manager and manager for sales management centre.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). The Group has adopted practices which meet the CG Code during FY2020.

The Company has complied with the code provisions set out in the CG Code throughout FY2020, save for the deviations as disclosed below.

Code provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should not be performed by the same individual. Mr. Cheng Ming Kit, a former co-chairman of the Board, 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 Board believed that Mr. Cheng Ming Kit served as both the co-chairman and the chief executive officer of the Company at that time enabled the Company implement its business plans in an effective manner.

On 6 July 2020, Mr. Cheng Ming Kit ceased to be co-chairman of the Board and chief executive officer of the Company, whereupon Mr. Zhi Xiaoye has become the sole chairman of the Board. On the same date, Mr. Li Weiqi has been appointed as an executive Director and chief executive officer of the Company. As a result, the separation of the roles of chairman of the Board and chief executive officer of the Company has been restored and code provision A.2.1 of the CG Code has been recompiled with.

Code provision E.1.2

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The then 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 23 June 2020 due to COVID-19.

BOARD OF DIRECTORS

Board's Conduct of its Affairs

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

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

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

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

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

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

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

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

The Company has adopted internal guidelines setting forth matters that require 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 Committee, Nomination Committee and Remuneration Committee (each a "Committee") and these functions are described separately under the various sections of each Committee below. Each Committee has its own defined terms of reference and operating procedures.

The Board scheduled to meet at least 4 times a year and as and when warranted by circumstances. 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 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 FY2020 and the attendance of the Directors are set out in the table below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Executive Committee Meeting	General Meeting
Mr. Cheng Ming Kit (2)	5/6	–	1/1	–	0/0	0/1
Mr. Hung Tao (3)	4/4	–	–	–	0/0	1/1
Mr. Li Weiqi (1)	2/2	–	–	–	12/12	–
Mr. Jin Qiang	6/6	–	–	–	12/12	0/1
Ms. Yang Fuyan (1)	2/2	–	–	–	12/12	–
Mr. Ye Hongjun (1)	2/2	–	–	–	12/12	–
Mr. Zhi Xiaoye	3/6	–	–	–	–	0/1
Mr. Lim Siang Kai	6/6	3/3	1/1	1/1	–	1/1
Mr. Wee Piew	6/6	3/3	1/1	1/1	–	1/1
Mr. Ma Arthur On-hing	6/6	3/3	1/1	1/1	–	1/1
Mr. Pang Siu Yin (3)	3/4	2/3	1/1	1/1	–	0/1
Mr. Cui Yulei (1)	2/2	1/1	–	–	–	–
Ms. Hsu Wai Man Helen (1)	2/2	1/1	–	–	–	–

Notes:

(1) Appointed on 6 July 2020.

(2) Re-designated as non-executive Director and Deputy Chairman of the Board on 6 July 2020 and duties suspended on 16 January 2021.

(3) Resigned on 6 July 2020.

BOARD COMPOSITION

The Directors during FY2020 and up to the date of this report are as follows:

Executive Directors
Mr. Jin Qiang
Mr. Li Weiqi *(Appointed on 6 July 2020)*
Ms. Yang Fuyan *(Appointed on 6 July 2020)*
Mr. Ye Hongjun *(Appointed on 6 July 2020)*
Mr. Hung Tao *(Resigned on 6 July 2020)*

Non-executive Directors
Mr. Zhi Xiaoye *(Chairman of the Board)*
Mr. Cheng Ming Kit *(Re-designated as non-executive Director and Deputy Chairman of the Board on 6 July 2020 and duties suspended on 16 January 2021)*

Independent Non-executive Directors
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Cui Yulei *(Appointed on 6 July 2020)*
Ms. Hsu Wai Man Helen *(Appointed on 6 July 2020)*
Mr. Pang Siu Yin *(Resigned on 6 July 2020)*

The biographical details of each of the current Directors are set out on pages 25 to 28 under the section headed "Biographies of Directors and Senior Management" of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number of Directors upon effectiveness in decision making, is of the view that it has maintained a balanced composition of executive Directors and non-executive Directors which induce a strong independent element to the Board during FY2020. The Board exercises judgment on corporate affairs objectively and independently, in particular, from management and no individual or small group of individuals dominates the Board's decision making.

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

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

During FY2020, the Company has at all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of sufficient number of independent non-executive Directors and is having independent non-executive Directors with relevant professional qualifications or accounting or relating financial management expertise.

The 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) remain independent.

Appointment and Re-election of Directors

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

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

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

Mr. Cheng Ming Kit, being the non-executive Director, was appointed as a Director of the Company for a term of three years from 7 May 2014 and shall be automatically renewed annually for such annual period thereafter and may be terminated by not less than six months' notice in writing served by either party. He was re-designated as a non-executive Director and deputy chairman of the Company on 6 July 2020 and his duties have been suspended since 16 January 2021.

Mr. Lim Siang Kai, being the independent non-executive Director, was appointed with the initial term of the appointment up to 31 May 2013 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.

Mr. Wee Piew, being the independent non-executive Director, was appointed with the initial term of appointment up to on 26 May 2012 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.

Mr. Ma Arthur On-hing, being the independent non-executive Director, was appointed with initial term up to 2 November 2015 and the terms of appointment shall be automatically renewed annually thereafter, for such annual period thereafter unless otherwise terminated by not less than three months' notice in writing served by each party on the other.

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

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.

Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should not be performed by the same individual. Mr. Cheng Ming Kit, the former co-chairman of the Board, 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 Board believed that Mr. Cheng Ming Kit served as both the co-chairman and the chief executive officer of the Company at that time enabled the Company implement its business plans in an effective manner.

On 6 July 2020, Mr. Cheng Ming Kit ceased to be co-chairman of the Board and chief executive officer of the Company, whereupon. Mr. Zhi Xiaoye has become the sole chairman of the Board. On the same date, Mr. Li Weiqi has been appointed as an executive Director and the chief executive officer of the Company. As a result, the separation of the roles of chairman of the Board and chief executive officer of the Company has been restored and code provision A.2.1 of the CG Code has been re-complied with.

As of the date of this report, division of responsibilities of the chairman and chief executive officer of the Company is clearly established and set out in writing.

PROFESSIONAL DEVELOPMENT

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

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, all Directors were encouraged to participate in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development could be completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors' duties. All 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
Mr. Li Weiqi [(1)]	✓
Mr. Jin Qiang	✓
Ms. Yang Fuyan [(1)]	✓
Mr. Ye Hongjun [(1)]	✓
Mr. Zhi Xiaoye	✓
Mr. Cheng Ming Kit [(3)]	✓
Mr. Lim Siang Kai	✓
Mr. Wee Piew	✓
Mr. Ma Arthur On-hing	✓
Mr. Cui Yulei [(1)]	✓
Ms. Hsu Wai Man Helen [(1)]	✓
Mr. Pang Siu Yin [(2)]	✓
Mr. Hung Tao [(2)]	✓

Notes:

(1) Appointed on 6 July 2020.

(2) Resigned on 6 July 2020.

(3) Re-designated as non-executive Director and Deputy Chairman of the Board on 6 July 2020 and duties suspended on 16 January 2021.

BOARD COMMITTEES

Executive Committee

The Executive Committee ("EC") during FY2020 and up to the date of this report comprises the following Directors:

Mr. Li Weiqi *(Appointed on 6 July 2020)*	*(Chairman)*
Mr. Jin Qiang	*(Member)*
Ms. Yang Fuyan	*(Member)*
Mr. Ye Hongjun	*(Member)*
Mr. Cheng Ming Kit *(Re-designated as a non-executive Director, and duties and powers were suspended on 16 January 2021)*	
Mr. Hung Tao *(resigned on 6 July 2020)*	*(Member)*

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

During the Year, EC held 12 meetings to handle the daily affairs of the Company.

Duties

The EC's main duties are:

The main duties of EC are to handle and supervise the day-to-day administration, management and operation of the Group.

Powers

EC shall have powers as below:

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

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

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

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

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

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

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

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

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

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

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

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

10. To procure and accept borrowing facilities or loans;

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

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

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

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

Nomination Committee

The members of the Nomination Committee ("NC") during FY2020 and up to the date of this report comprises the following Directors:

Mr. Zhi Xiaoye *(Appointed on 31 August 2020)*	*(Chairman)*
Mr. Ma Arthur On-hing	*(Member)*
Mr. Lim Siang Kai	*(Member)*
Mr. Wee Piew	*(Member)*
Mr. Cheng Ming Kit *(Ceased to be a member on 31 August 2020)*	*(Member)*
Mr. Cui Yulei *(Appointed on 6 July 2020)*	*(Member)*
Ms. Hsu Wai Man Helen *(Appointed on 6 July 2020)*	*(Member)*
Mr. Pang Siu Yin *(Resigned on 6 July 2020)*	*(Member)*

The NC currently consists of five independent non-executive Directors and one non-executive Director. The chairman of the NC is a 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 Directors

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

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

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

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

Re-election of Directors at General Meeting

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

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

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

During FY2020, the NC has held one meeting to review the structure, size and composition of the Board; the Board's performance; and recommend the re-election of the Directors in 2020 AGM.

Board Diversity

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

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 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") during FY2020 and up to the date of this report comprises the following Directors:

Mr. Cui Yulei *(Appointed as member on 6 July 2020 and appointed as Chairman on 31 August 2020)*	*(Chairman)*
Mr. Ma Arthur On-hing	*(Member)*
Mr. Lim Siang Kai	*(Member)*
Mr. Wee Piew	*(Member)*
Ms. Hsu Wai Man Helen *(Appointed on 6 July 2020)*	
Mr. Pang Siu Yin *(Resigned on 6 July 2020)*	*(Member)*

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

The RC is scheduled to meet at least once a year. During FY2020, the RC has consulted the chairman and Chief Executive Officer in recommending other executive Directors' remuneration, and 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 FY2020 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") during FY2020 and up to the date of this report comprises the following Directors:

Ms. Hsu Wai Man Helen *(Appointed as member on 6 July 2020 and as chairman on 31 August 2020)*	*(Chairman)*
Mr. Lim Siang Kai	*(Member)*
Mr. Wee Piew	*(Member)*
Mr. Ma Arthur On-hing	*(Member)*
Mr. Cui Yulei (*Appointed on 6 July 2020)*	*(Member)*
Mr. Pang Siu Yin *(Resigned on 6 July 2020)*	*(Member)*

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

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

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

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

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

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

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

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

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

9. reviewing interested person transactions.

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

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. 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 FY2020, 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 FY2020, 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 FY2020 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 2020 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 2020, 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 Ernst & Young	5,800
Non-audit services provided by Mazars CPA Limited	2,800
Non-audit services provided by other auditors	669
	9,269

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 FY2020 set out on pages 133 to 267 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 chief financial officer 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.

Disclaimer of Opinion regarding the Company's Ability to Continue as a Going Concern

Pursuant to code provision C.1.3 of the CG Code, the Board would like to provide more details on the disclaimer of opinion regarding the Company's ability to continue as a going concern.

As described in note 2.2 to the financial statements, at 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately HK$2,692 million. The Group's total bank and other borrowings as at 31 December 2020 amounted to HK$3,518 million, including HK$1,953 million due for repayment in 2021 according to the repayment schedule of the respective loan agreements. In addition, HK$1,412 million of bank and other loans due after 2021 were reclassified as current liabilities as at 31 December 2020 as certain debt covenants were breached based on the financial information of the Group for the year ended 31 December 2020. Furthermore, the trading of the shares of the Company has been suspended since 18 January 2021 and the Company was unable to submit the consolidated financial statements for the year ended 31 December 2020 by the deadlines as set out in the bank and other loans agreements. These also triggered events of default in respect of certain of the Group's bank and other borrowings. The respective amounts as at 31 December 2020 were already included in current liabilities due to the breach of covenants as mentioned in the preceding paragraph. The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Please refer to item 12 under the "Basis for Disclaimer of Opinion" in the Independent Auditor's Report for further details.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continues as a going concern. The Company has been undertaking various plans and measures to improve the Group's liquidity and financial position. Further details of such actions are set out in note 2.2 to the financial statements. The Directors are of the opinion that, taking into account the possible assistance from a major shareholder, debt restructuring arrangement, the resumption of trading of the Company's shares and the existing internal financial resources 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.

To address this audit issue, the Group will continue to discuss with the major shareholder for assistance. The Group will also continue to negotiate with the banks and bond holders for a standstill moratorium before the resumption of trading of the Company's shares and restructuring scheme arrangement, which is expected to be completed by the end of April 2022.

Risk Management and Internal Control

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

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

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

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

The risk management and internal control process includes:

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

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

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

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

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

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

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

The Board acknowledged that there are major internal control deficiencies identified as a result of the findings from the forensic investigation, among them:

(1) There is no clear internal control policies governing the type of transactions in which the asset value is required;

(2) There are no clear internal control policies and no relevant valuation and approval procedures in respect of the investment activities of our Group other than equity investment;

(3) There is no proper internal control policies and procedure in respect of disposal of the shares;

(4) There are no clear guidelines governing the powers of the Executive Committee Meeting of the Board;

(5) There are no prevailing internal control policies and procedures governing the use of the company chops and seals;

(6) The Group does not have proper internal control policies and procedures in respect of disclosure of conflict of interests.

The Board has taken up the recommendation to review and strengthen its internal control system. Please refer to the Company's announcement dated 29 September 2021 for further details of the forensic investigation and the recommendations on the Group's internal control system.

In addition, the Board also confirms that the Group does not have a clear internal control mechanism in respect of related party transactions as mentioned by the independent auditor in item 6 under the "Basis for Disclaimer of Opinion" in the Independent Auditor's Report. Accordingly, the Group will establish a clear internal control mechanism for related parties transactions, including but not limited to, identification of related parties, preparation and regular updates on the list of related parties, pricing policies and terms of contracts, regular reconciliation of transactions and balances with related parties etc. It is currently expected that the aforementioned mechanism will be put in place by the end of November 2021.

As disclosed in the Company's announcements dated 16 July 2021 and 29 September 2021, the Company has engaged Ernst & Young Advisory Services Limited as its internal control consultant to assist the management to conduct a review on the Group's internal control procedures (the "Internal Control Review"). As at the date of this annual report, the Internal Control Review is still on-going. An announcement will be made on the progress and result of the Internal Control Review in due course.

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.

DIRECTORS' DEALINGS IN SECURITIES

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standard as set out in the Model Code throughout FY2020.

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 FY2020 which fall under Chapter 14A of the Listing Rules are set out in note 42 to the consolidated financial statements.

COMPANY SECRETARY

Mr. Ko Chi Ho ("Mr. Ko") was appointed as company secretary on 14 January 2020 and resigned on 16 January 2021. Ms. Annie Chen ("Ms. Chen") was appointed as company secretary to replace Mr. Ko on 16 January 2021. Mr. Ko has taken no less than 15 hours of relevant professional training during FY2020. The biography of Ms. Chen is set out in the section headed "Biographies of Directors and Senior Management".

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the need to communicate regularly, effectively, timely and fairly with its shareholders on all material matters affecting the Group. Information would be communicated to shareholders mainly through the Company's corporate communications including interim and annual reports, announcements and circulars, all of which are released through 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.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The then 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 23 June 2020 due to COVID-19.

SHAREHOLDERS' RIGHTS

(i) Communications with the Company

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

(ii) Shareholders to convene a Special General Meeting

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

(iii) Procedures for 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.

(iv) 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 head office and the principal executive office of the Company in Hong Kong or by email for the attention of the company secretary or the Investor Relations of the Company.

Shareholders desiring to request circulation of resolution for a general meeting should send the request in writing to the Company in due time before the meeting. If the matter to be considered requires a special notice, the proposed resolution must be given to the Company not less than 28 days before the general meeting at which it is moved. The Company will, in accordance with its obligations under the applicable laws and regulations, provide necessary information either in a supplementary circular or by way of an announcement and, if necessary, adjourn the relevant general meeting for informing all shareholders. Only persons with proper authority have the right to requisition for and convene a general meeting. According to applicable laws and regulations, shareholders holding at least 5% of the total voting rights of all the shareholders having a right to vote at a general meeting of the Company may request to call a general meeting. The request must state general nature of the business to be dealt with at the meeting, and may include the proposed resolution. The above requisition must be authenticated by the requisitionists and deposited at the registered office of the Company for the attention of the company secretary. Upon verification that the requisition is proper and in order, the company secretary will propose the Board to convene the relevant general meeting within 21 days from the date of the deposit of the requisition call a meeting to be held within a further period of 28 days.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during FY2020.

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) development and operation of city gas projects; (ii) direct supply of liquefied natural gas ("LNG") to industrial end users; (iii) trading and distribution of compressed natural gas ("CNG") and LNG; and (iv) 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.

The Group issues an ESG report every year and this is the fifth ESG report published by the Group. The ESG report for the year ended 31 December 2019 (the "Year 2019") has been published in May 2020.

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 gives an annual update and details the Group's activities, challenges and measures taken in the ESG aspects for the year ended 31 December 2020 (the "Reporting Period", the "Year" or "Year 2020").

SCOPE OF REPORT

The Group 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, pipeline construction fee, value-added service and others. The Group takes into account the gas sales volume of the segments in determining the scope of this Report. Hence, this Report will cover the environmental and social performance of the Group's natural gas refuelling stations of Haikou Xinyuan project in Hainan Province ("Hainan Xinyuan"), Anhui Zheng Weili Office in Anhui Province ("Anhui Zheng Weili"), Jilin Songyuan city gas project in Jilin Province ("Jilin Songyuan"), Zhejiang Boxin direct supply, trading and distribution project in Zhejiang Province ("Zhejiang Boxin"), and Shanxi Minsheng city gas project in Shanxi Province ("Shanxi Minsheng") (collectively referred to "business units under the reporting scope"). Compared with the ESG report for the Year 2019, there is no significant change in the reporting scope, except for the inclusion of Shanxi Minsheng.

Unless specifically stated, the Group obtains key performance indicators ("KPIs") data in the ESG aspects through operational control mechanisms. This Report does not cover some of the Group's operations in Mainland China, but the Group plans to gradually expand its reporting scope in the future. 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 of the Group is contained in Corporate Governance Report of this annual report. This Report has undergone the internal audit 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 or our performance in sustainable development, 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 fifth ESG report for the year ended 31 December 2020, 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.

It is the first year of implementing the 14th Five-Year Plan, where natural gas is strongly supported by a number of national policies as a clean and environmentally friendly energy. In addition, the Central Economic Work conference gave the notion of "doing a good job in working towards carbon peak and carbon neutrality" in 2020 and strived to realize the target of carbon neutrality. Although the global economic activities continue to be lackluster and the performance in the natural gas market remains weak as a whole, which was affected by the COVID-19 in 2020, the Group will continue to adhere to the development strategy of "city gas + LNG", develop and expand city gas projects and seek opportunities for mergers and acquisitions, to further improve the Group's market position and competitiveness in the natural gas business. The Group pursues operation performance while minimizing its impact on the environment and creating value in sustainable development for the communities in which it operates.

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, and expected to have more than half of its primary energy consumption from non-fossil energy by 2050. China has also implemented plans for electricity sector reform to expand the share of renewable energy generation, encourage competition and improve efficiency. To promote sustainable development, the Group takes into account several aspects such as 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, improve energy efficiency and security, and emphasize the importance of sustainable development.

During the Year, the Group achieved significant breakthroughs in environmental protection through its efforts to save energy and improve energy efficiency. The total greenhouse gas ("GHG") emissions of business units under the reporting scope decreased by approximately 37%, total non-hazardous waste emissions decreased by approximately 17%, total energy consumption decreased by approximately 8% and total water consumption decreased by approximately 1%.

The Group promises to increase its efforts to combat corruption and uphold integrity, always abide by business ethics, uphold integrity operation and strictly abide by the code of business conduct. The Group believes that the practice of high-standard corporate governance and supervision system is the driving force for our sustainable and healthy development. We also continue to adhere to the commitment of sustainable corporate development and corporate social responsibility. The Group regards social responsibility affairs as one of its priorities, establishes a documented social responsibility management system, carries out a dynamic cycle of "planning, implementation, inspection and review", and constantly pursues improvement of the social responsibility management system.

The Group 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 pursuing 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.

On behalf of the Board and the management of the Company, I would like to express my 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
Chairman
Zhi Xiaoye

ABOUT BEIJING GAS BLUE SKY

The Group adheres to the "Belt and Road" development strategy, proactively expands its business and explores investment opportunities in industrial chain of natural gas. City gas projects provide a solid foundation of income for the Group with their stable revenue stream. Industrial users and transportation of natural gas will be our pillars of growth as emerging sectors, while trading and distribution of natural gas will be a guaranteed additional source of revenue. The Group currently has numerous gas projects in the PRC, including projects that supply natural gas to transportation, industrial users, city gas projects, LNG receiving terminal, and other natural gas utilization projects. Along with the continuous improvement of infrastructure in the Mainland China and the increased 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 is a new natural gas enterprise but has a 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.

The Group's natural gas projects cover the Beijing-Tianjin-Hebei region, Shanxi, Jilin, Liaoning, Shandong, Jiangsu, Anhui, Zhejiang, Hubei, Guizhou, Hainan and other provinces with high growth potential. 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 China, 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
Pursue the integration of economic, social and environmental benefits	People-oriented, business-focused, standardised and efficient, and result-oriented	Provide wholehearted services, and win customers with professional expertise, warmth and passion	Create harmony and 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 feasible 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 the Group.

We will seize the historical opportunities brought by China's economic development and energy structure adjustment and regards these as an international investment and financing platform for the Group. Coupled with industry resources and capital advantages, the Group will continue to develop these potential projects in the region, with active market expansion by creating a complete value chain characterized by industrial chain. We are ready to work with peer companies to embrace leapfrog development and jointly welcome the arrival of the "global gas energy era".

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 the Group to establish and achieve long-term strategy and goals.

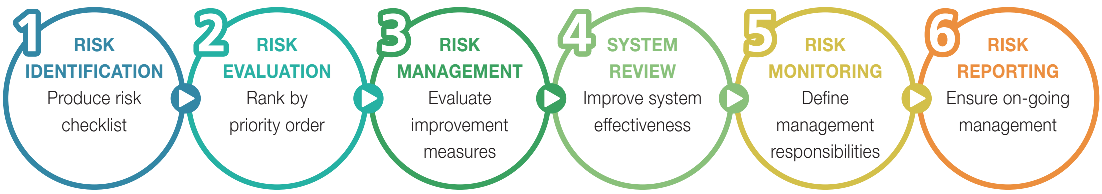
The content of sustainable development covers various areas of the Group's operations. To effectively incorporate the sustainability concept into our operations, the Board considered establishing an ESG committee with terms of reference in due course, to define its limits of authorities, work scope and 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.

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. The management team 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 the Group 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. The Group 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. The Group expects to listen to the voices of different stakeholders so that it can assess the effectiveness 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	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	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	Conducting business return visit	Periodic
		Satisfaction survey	Periodic
		Websites	Year-round
		Customer service hotline	Year-round
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
Regulators	• Compliance operation • Tax payment	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 stakeholders' concerns and identifying the topics which are or will be critical to its business, the Group continued to engage an independent sustainability consultant to conduct stakeholder communication and annual materiality assessment, the detailed procedures are as follows:

IDENTIFYING RELEVANT TOPICS

- With the assistance of the consultant, Beijing Gas Blue Sky identified and determined the list of ESG topics for Year 2020 based on the Group's business development and results of the materiality assessment in Year 2019; and
- The list included 23 topics which have higher impact on economy, environment and society and higher influence on stakeholders, covering four major scopes, namely "environmental protection", "employment and labour standards", "operating practices" and "community investment".

COLLECTING STAKEHOLDERS' FEEDBACK

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

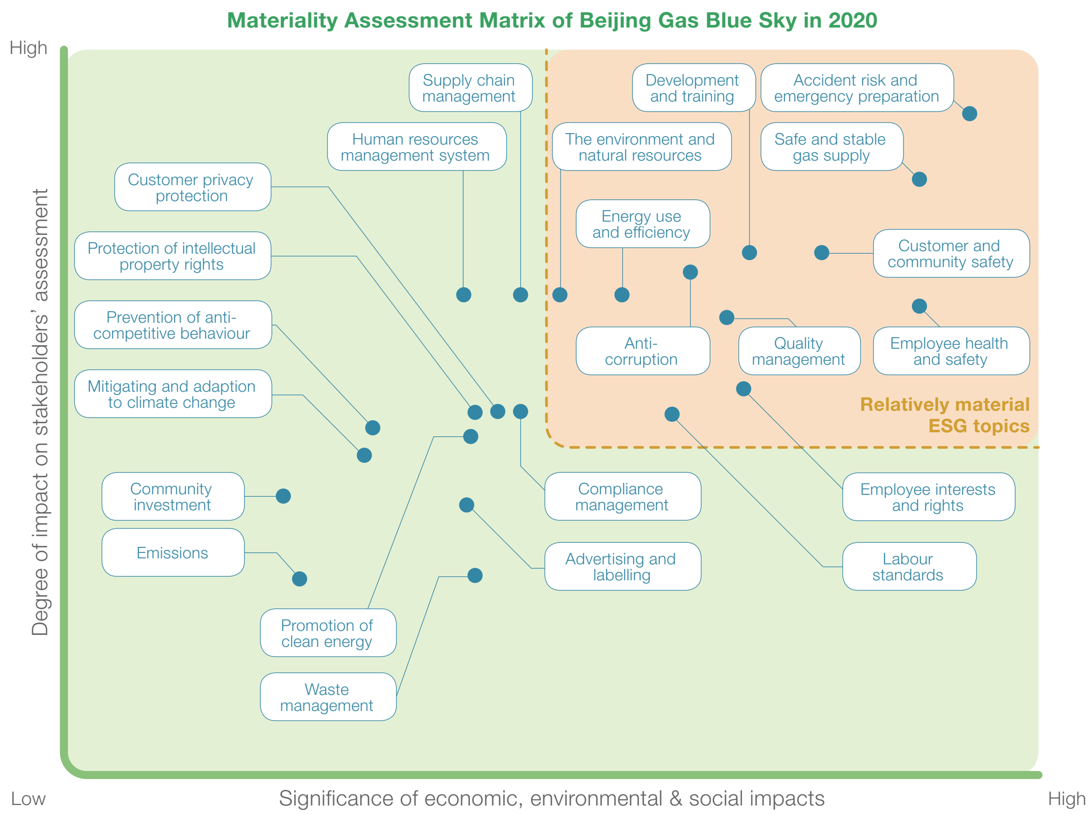
IDENTIFYING MATERIAL TOPICS

- Based on the results of the questionnaire, the Group assessed the materiality of 23 topics, and prepared the materiality matrix for the Year; and
- The Group reviewed opinions of stakeholders and results of materiality assessment, and discussed with the management to determine the key disclosures of this Report and key points to be noted in order to enhance the Group's 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:



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

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	Energy use and efficiency
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 LNG or CNG, 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 avoiding severe threats to employee health and safety and minimizing the loss to the Group. In addition, the Group will also commence risk assessment on all possible major events so as to eliminate potential hazards. To respond to emergency events, the Group has also set up an Emergency Command Office to guide the emergency work and handle related issues. The Group will conduct appropriate drills 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 reduce harmful impact or risks brought by equipment to product quality and safety, the Group has 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 and inspection 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 subsidiaries, 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.

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 company so that they could provide up-to-standard and reasonably priced services in a proper manner.

Customer and Community Safety

As a 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 business units under the reporting scope 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 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.

Due to the outbreak of COVID-19, the Group has taken measures to ensure the safety of its employees and the Group and our business continuity. In response to the public health measures of the PRC government, apart from the arrangement of working from home during the lockdown period in China, the Group also enhanced the environmental hygiene in its working areas after resuming operations to ensure a healthy and safe working environment, such as taking stringent temperature checks for employees before entering the workplace. The Group has also issued guidelines to employees to advise on reporting measures in the event of the outbreak of COVID-19 among employees and related family members.

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. The business units under the reporting scope had zero lost days due to work injury and zero work-related fatalities during the Reporting Period. There was one work-related fatality happened in the Year 2019 and zero in the year ended 31 December 2018.

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 plant 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 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)

- Post 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. Jilin Songyuan completed safety inspections for a total of 171,125 residential household users during the Reporting Period.

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 Inspection	• 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 matters such as 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. 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 2020, there are 374 full-time employees in the business units under the reporting scope, including senior and middle level managers and general employees.

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total
Number of employees (By region, gender and age)	Hainan Xinyuan	Male	3	34	11	75
		Female	1	24	2	
	Anhui Zheng Weili	Male	–	2	–	4
		Female	1	1	–	
	Jilin Songyuan	Male	19	102	18	219
		Female	10	69	1	
	Zhejiang Boxin	Male	–	5	1	8
		Female	1	1	–	
	Shanxi Minsheng	Male	8	20	8	68
		Female	3	24	5	

	Place of Operation	Gender	Senior level managers	Middle level managers	General employees	Total
Number of employees (By region, gender and position)	Hainan Xinyuan	Male	2	13	33	75
		Female	1	7	19	
	Anhui Zheng Weili	Male	–	–	2	4
		Female	–	1	1	
	Jilin Songyuan	Male	5	9	125	219
		Female	–	4	76	
	Zhejiang Boxin	Male	–	–	6	8
		Female	–	–	2	
	Shanxi Minsheng	Male	2	3	31	68
		Female	–	1	31	

During the Reporting Period, the rate of new employees hires of the business units under the reporting scope was 5.35%.

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total
Number of new employees (By region, gender and age)	Hainan Xinyuan	Male	–	1	–	2
		Female	1	–	–	
	Anhui Zheng Weili	Male	–	2	–	3
		Female	–	1	–	
	Jilin Songyuan	Male	4	2	–	15
		Female	2	7	–	
	Zhejiang Boxin	Male	–	–	–	–
		Female	–	–	–	
	Shanxi Minsheng	Male	–	–	–	–
		Female	–	–	–	

During the Reporting Period, the rate of employee turnover of the business units under the reporting scope was 11.23%.

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total
Employee turnover (By region, gender and age)	Hainan Xinyuan	Male	–	7	2	17
		Female	–	6	2	
	Anhui Zheng Weili	Male	–	2	–	3
		Female	–	1	–	
	Jilin Songyuan	Male	4	6	–	19
		Female	1	8	–	
	Zhejiang Boxin	Male	–	–	–	–
		Female	–	–	–	
	Shanxi Minsheng	Male	–	2	–	3
		Female	–	1	–	

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 to 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 and legitimate 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, and employees are entitled to the basic wage and other subsidies for different posts and rankings based on the respective circumstances of each project companies. 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 develop their potential, 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

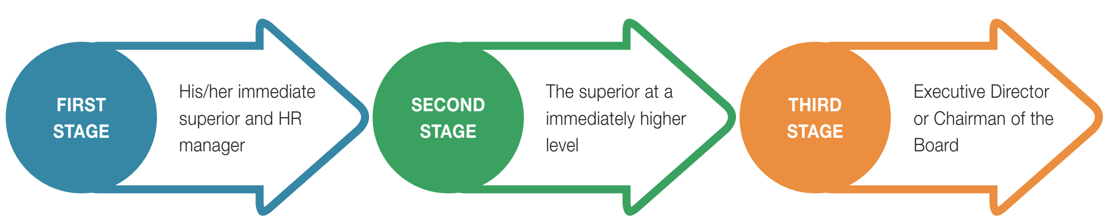
Close and open communication with employees is of great importance to the sustainable development of the Group. The Open Dialogue Policy has been formulated to encourage employees to voice their views through formal or informal communication channels, such as dedicated mailboxes for employees' suggestions, 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 1.5:1. Harassment or discrimination in any way is strictly prohibited to make employees work in a friendly, equal, diverse, and respectful environment. In this way, we can build and maintain an inclusive and collaborative corporate culture.

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 potential. 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.

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.

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.

During the Year, the total training hours of the business units under the reporting scope reached 19,036 hours, with a total of 373 (trained) participants, where the percentage of employees who received training reached 99.73%.

Training (By gender and position)	Gender	Senior level managers	Middle level managers	General employees	Total
Number of employees who received training	Male	6	27	198	373
	Female	–	5	137	
Total hours of training	Male	185.00	940.00	10,690.00	19.036.00
	Female	–	199.00	7,022.00	
Average hours of training per employee	Male	30.83	34.81	53.99	51.03
	Female	–	39.80	51.26	

Labour Standards

Prevention of child and forced labour

The Group strictly complies with relevant laws, administrative regulations and industry requirements for child labour and underage labour, and strictly prohibits the employment of child labour during the recruitment process. 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 developing an inclusive and collaborative corporate culture 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 has established the complaining and whistle blowing 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 at work, promotes business integrity education, and strictly abides by the Criminal Law of the People's Republic of China, the Anti-corruption Law of the People's Republic of China and other related laws and regulations. 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 case regarding corrupt practices brought against the Group or its employees.

The non-executive Director and deputy chairman of the Board of the Group were suspended from duties as a non-executive director and the deputy chairman of the Board on 16 January 2021 for suspected involving in economic crime(s) relating to the business(es) of the Company during his positions as executive director, co-chairman and chief executive officer. The Group has established a special investigation committee to conduct an in-depth investigation into the incident and report the investigation results accordingly. Save for the aforementioned events, during the Reporting Period, the Group did not have any other employees who were dismissed or under disciplinary action due to corruption and who were confirmed to be in charge of the incident.

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, the Group 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.

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 bidding 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 protection, 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.

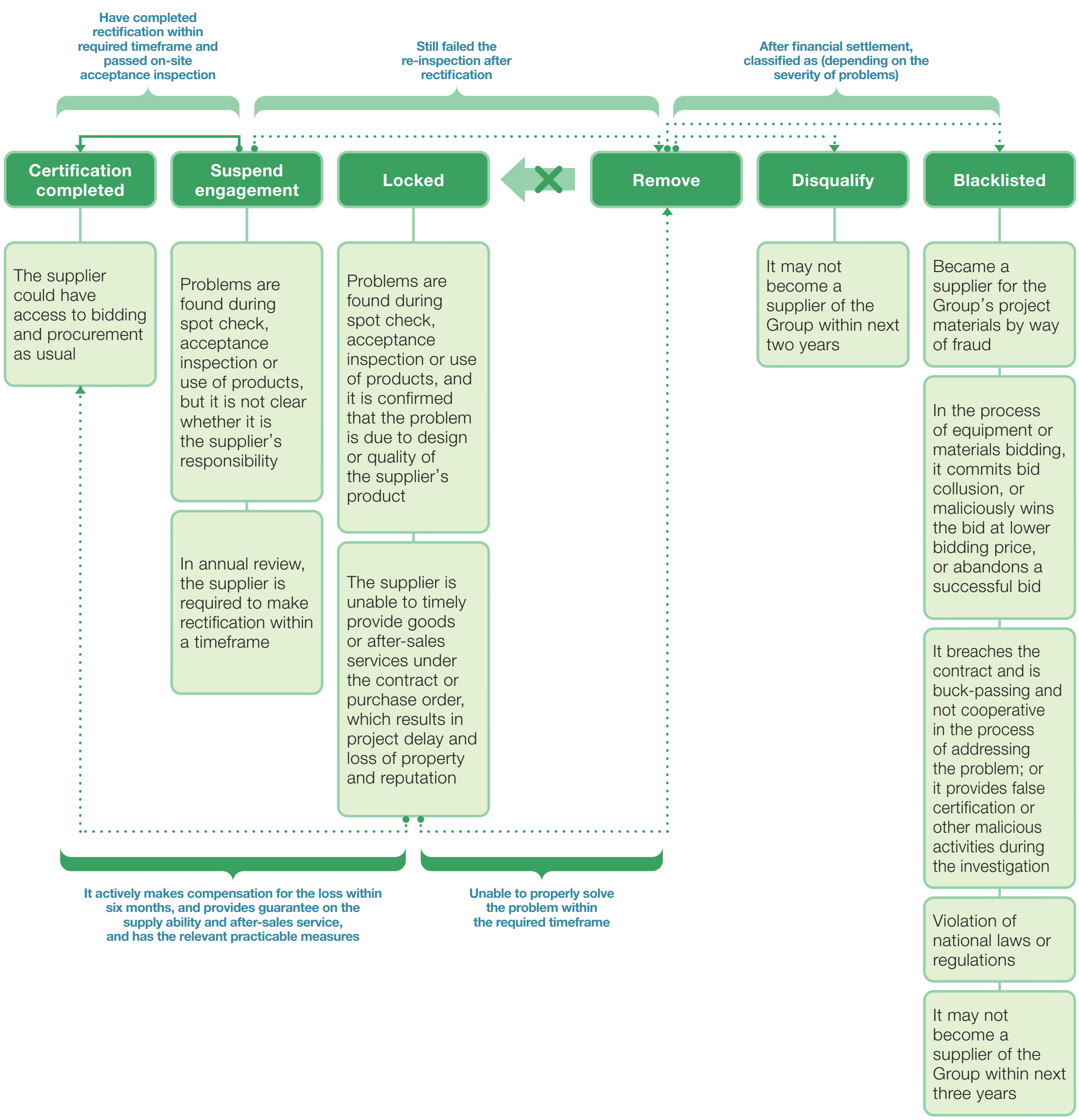
In addition, the Group has a Bid Evaluation Committee consisting of internal and external experts organized by the Engineering Technology Department of the project company. Bid evaluation experts shall not contact the bidder in private, receive property or other benefits, and disclose the evaluation 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.

According to the Group's Environmental Protection Management Guidelines, employees who are responsible for overseeing suppliers are required to be cooperative on the environmental protection work, ensuring that 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.

During the Reporting Period, the business units under the reporting scope procure goods or services mainly from 39 suppliers, all of which are suppliers in Mainland China. While each of them has undergone our evaluation and review procedures and satisfy the Group's requirements.

The Group 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 statuses, 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 GHG 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 in China 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

The Group 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 refueling 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. In addition, 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 the Group's 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. Therefore, 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

In daily operation, the business units under the reporting scope use direct energy including petrol, diesel and LNG, while the indirect energy used are mainly electricity. The Group is committed to saving energy and improving the efficiency of resource and keeping abiding by environmental protection laws and regulations formulated by national and local environmental protection agencies, continuously improving its management system and related policies, and achieving 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 2020**	Year 2019
Energy consumption	Direct energy	MWh	**1,597**	2,247
	Indirect energy	MWh	**1,011**	602
	Total energy consumption	MWh	**2,608**	2,849
	Intensity	MWh/square foot	**0.001**	0.001

Notes:

1. As of 31 December 2020 and 31 December 2019, total operating area of the business units under the reporting scope was approximately 2,082,748.77 square foot and approximately 2,032,093.89 square foot, respectively. This data will be also used for the calculations of other intensity.

In daily operation, the Group encourages employees to react to environmental protection initiatives and implements 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, the Group 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.

The overview of water consumption performance is as follows:

	Water consumption data	Unit	**Year 2020**	Year 2019
Water consumption	**Total water consumption**	Cubic meters	**9,001**	9,094
	Intensity	Cubic meters/square foot	**0.004**	0.004

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 recognises 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, paper of Jilin Songyuan represented the major source of non-hazardous waste. During the Year, the business units under the reporting scope have not generated hazardous waste, and the total non-hazardous waste generated was approximately 92 tonnes.

The overview of non-hazardous waste performance is as follows:

	Non-hazardous waste data	Unit	**Year 2020**	Year 2019
Non-hazardous waste	**Total discharge of non-hazardous waste**	Tonnes	**92**	111
	Intensity	Tonnes/square foot	**0.00004**	0.00005

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, run-off 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 refueling 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 encouraging paper recycling, 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.

The overview of exhaust gas emission performance is as follows:

	Type of exhaust gas	Unit	**Year 2020**	Year 2019
Exhaust gas emissions	NOx	Kg	**105**	110
	SOx	Kg	**1**	1
	PM	Kg	**8**	8

The Group understands the importance to control GHG 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 GHG, 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)".

The overview of GHG emission performance is as follows:

	Indicators[2]	Unit	**Year 2020**	Year 2019
Greenhouse gas emissions	Direct GHG emissions (Scope 1)	tCO_2e	**444**	1,305
	Energy indirect GHG emissions (Scope 2)	tCO_2e	**615**	359
	Other indirect GHG emissions (Scope 3)	tCO_2e	**3**	8
	Total emissions	tCO_2e	**1,062**	1,672
	Intensity	tCO_2e/square foot	**0.0005**	0.00008

Notes:

2. Direct GHG emissions (Scope 1) mainly cover equipment owned or controlled by the business units under the reporting scope, namely diesel consumed by power generators, natural gas consumed by boilers, gasoline, diesel and compressed natural gas consumed by vehicles. Indirect GHG emissions mainly cover electricity consumption (Scope 2) and aircraft business travel by employees (Scope 3). GHG 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 (2014) (AR5) released by Intergovernmental Panel on Climate Change,the "2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2 Energy" and the recently released China's regional grid baseline emission factors.

During the Year, the total carbon emissions of the business units under reporting scope were approximately 1,062 tCO_2e. A decrease of approximately 36% compared with 2019 is mainly due to the fact that the back-up generators of Haikou Xinyuan used less diesel oil as there were less power outages during the Year, and the number of business trips decreased due to the impact of COVID-19 pandemic.

To reduce GHG 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 business units under the reporting scope was about 657 tonnes.

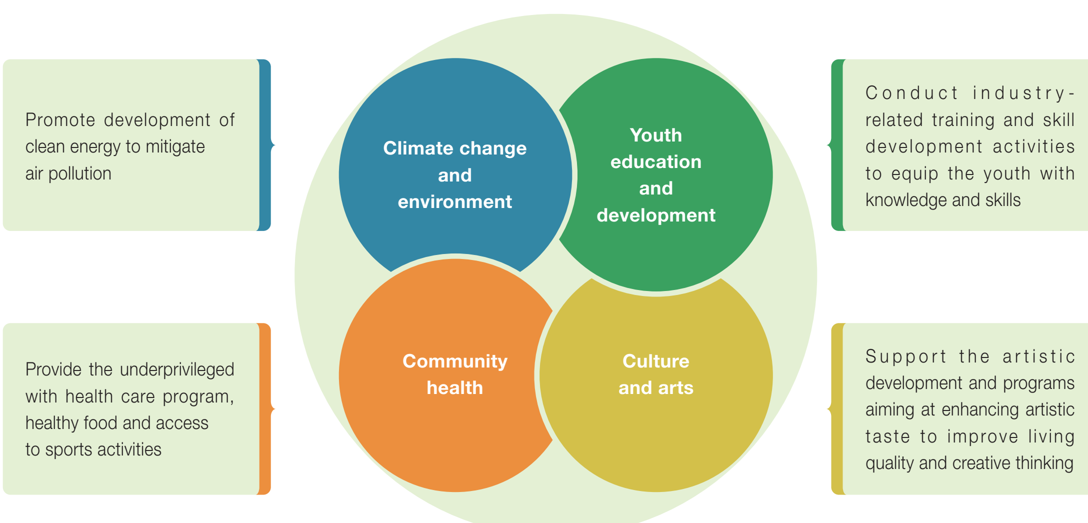
Regarding the discharge of wastewater, the Group effectively identified wastewater discharge generated during production according to the "Environmental Factors Identification and Evaluation Procedures" given in the Environmental Protection Management Guidelines, and performed supervision in accordance 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. The Group's 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, the Group 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 Construction, 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 preventing 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
KPI B8.1 (Recommended disclosures)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sports).	Community Investment
KPI B8.2 (Recommended disclosures)	Resources contributed (e.g. money or time) to the focus area.	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 Resources 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, antitrust, 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 and Effluents 2018		
303-2	Management of water discharge-related impacts	Build a Green Future – Water Management
303-4	Water discharge	Build a Green Future – Water Management
303-5	Water consumption	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 Resources Management 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 2018		
403-2	Hazard identification, risk assessment, and incident investigation	Build a Desirable Working Environment – Employee Health and Safety
403-3	Occupational health services	Build a Desirable Working Environment – Employee Health and Safety
403-5	Worker training on occupational health and safety	Build a Desirable Working Environment – Employee Health and Safety
403-6	Promotion of worker health	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: Anti-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 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 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 2020 ("FY2020").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in (i) development and operation of city gas projects; (ii) direct supply of LNG to industrial end users; (iii) trading and distribution of CNG and LNG; and (iv) operating CNG and LNG refuelling stations for vehicles. The Group's operations based in the People's Republic of China (the "PRC"), including Hong Kong. The principal activities of the Company's principal subsidiaries are set out in note 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 3 to 4 and pages 5 to 24 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 5 to 24 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2020, to the best of the Directors' knowledge, the Group has not been subject to any fines and/or penalties which had a material adverse impact on our business and operations as a result of our non-compliance with the laws and regulations.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to certain market risk such as interest rate risk, credit risk and liquidity risk. The details are set out in note 45 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.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

(a) Resumption Guidance

As disclosed in the announcement of the Company dated 17 January 2021, the Company has identified a number of suspicious transactions and questionable assets of the Group (the "Incident"). At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9: 00 a.m. on 18 January 2021. The Company subsequently received letters from the Stock Exchange, which set out the following resumption guidance for the resumption of trading in the shares of the Company (the "Resumption Guidance"):

(i) to conduct a forensic investigation into the Incident, announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions;

(ii) to demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(iii) to demonstrate that the Company has in place adequate internal control systems to meet the obligations under the Listing Rules;

(iv) to demonstrate compliance with Rule 13.24 of the Listing Rules;

(v) to inform the market of all material information for the Company's shareholders and other investors to appraise its positions; and

(vi) to publish all outstanding financial results and address any audit modifications in accordance with the Listing Rules.

The Stock Exchange has further indicated that it might modify or supplement the Resumption Guidance if the Company's situation changes. If the Company fails to remedy the issues causing its trading suspension, fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 17 July 2022, the Listing Department will recommend the Listing Committee to proceed with the cancellation of the Company's listing.

(b) Resumption Progress

On 1 February 2021, the Special Committee (the "Special Committee"), comprising two independent non-executive Directors and an industry expert, has been established for the purpose of, among other things, investigating into the Incident; and reporting and making recommendations to the Board on appropriate actions to be taken. Thereafter, PricewaterCoopers Management Consulting (Shanghai) Limited has been appointed as the independent forensic accountant (the "Independent Forensic Accountant") to assist the Special Committee in conducting a forensic investigation (the "Forensic Investigation") into the Incident.

As at the date of this report, the Independent Forensic Accountant has completed the forensic investigation. For details of findings of the Forensic Investigation, please refer to the Company's announcement dated 29 September 2021 ("Forensic Investigation Announcement"). The Special Committee has reviewed the forensic investigation report (including the limitations of the investigation). After full and detailed discussion, the Special Committee considers that the contents and conclusions of the forensic investigation report are reasonable and acceptable. Therefore, the Special Committee recommended that the Board shall adopt the findings of the Forensic Investigation and made a series of recommendations to the Board. Please refer to the Forensic Investigation Announcement for details of the recommendations.

At the same time, the Board has reviewed the contents of the forensic investigation report and the recommendations of the Special Committee, and concurred with the view of the Special Committee. The Board has resolved to immediately implement all the recommendations made by the Special Committee. Please refer to the Forensic Investigation Announcement for details of the implementation of these recommendations.

The Audit Committee is of the view that the Company's auditor has fully taken into account the findings of the Forensic Investigation when issuing its audit report.

As disclosed in the Company's announcements dated 16 July 2021 and 29 September 2021, the Company has engaged Ernst & Young as its internal control consultant to assist the management to conduct the Internal Control Review. As at the date of this annual report, the Internal Control Review is still on-going. An announcement will be made on the progress and result of the Internal Control Review in due course.

The Company has engaged and has been working closely with its experienced advisory team to consider various feasible options to deal with debt restructuring and resumption, including but not limited to devising plans to inject assets into the Group, enhance solvency and take appropriate steps to implement the guidelines on resumption.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 December 2020 are set out in the consolidated financial statements on pages 133 to 136.

The Directors do not recommend the payment of final dividend for FY2020 (2019: 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 268 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment and right-of-use assets of the Group during FY2020 are set out in notes 14 and 15 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements of the Company's share capital are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

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

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 111 and note 36 to the consolidated financial statements respectively, no equity-linked agreements were entered into during FY2020 or subsisted at the end of FY2020.

RESERVES

Share premium

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

Merger reserve

Details of movements in the reserves of the Group and the Company are set out in consolidated statements of changes in equity and note 47 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2020, 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 18.1% of the total sales for the Year and sales to the largest customer included therein amounted to 5.8% of total sales. Purchases from the Group's five largest suppliers accounted for 39.8% of the total purchases for FY2020 and purchases from the largest supplier included therein amounted to 18.9% of total purchases. None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS

The Directors during FY2020 and up to the date of this report are:

Executive Directors

Mr. Li Weiqi *(appointed on 6 July 2020)*
Mr. Jin Qiang
Ms. Yang Fuyan *(appointed on 6 July 2020)*
Mr. Ye Hongjun *(appointed on 6 July 2020)*
Mr. Hung Tao *(resigned on 6 July 2020)*

Non-executive Directors

Mr. Zhi Xiaoye
Mr. Cheng Ming Kit *(re-designated as non-executive Director on 6 July 2020) and duties suspended on 16 January 2021)*

Independent non-executive Directors

Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin *(resigned on 6 July 2020)*
Mr. Cui Yulei *(appointed on 6 July 2020)*
Ms. Hsu Wai Man, Helen *(appointed on 6 July 2020)*

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr. Zhi Xiaoye 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. Li Weiqi, Ms. Yang Fuyan, Mr. Ye Hongjun, Mr. Cui Yulei ("Mr. Cui") and Ms. Hsu Wai Man Helen ("Ms. Hsu") 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 Mr. Cui and Ms. Hsu, and still considers them to be independent.

Mr. Cheng Ming Kit will cease his directorship after the AGM according to his service contract. Each of Mr. Lim Siang Kai and Mr. Wee Pee will cease to be independent non-executive Director after the AGM due to their independence pursuant to HKEx Listing Rules Appendix 14.A.4.3.

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 25 to 28 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2020, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the Directors' service agreements are set out on page 41 of this annual report.

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 10 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a Controlling Shareholder was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2020 or at any time during FY2020.

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 2020, 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 31/12/2020**
Mr. Cheng Ming Kit *(Note 2)*	Beneficial owner	391,962,514 (L)	3.02%
	Interest of controlled corporations	687,100,256 (L)	5.29%
Mr. Hung Tao *(resigned on 6 July 2020)*	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"), redesignated as non-executive Director and Deputy Chairman on 6 July 2020 and his duties have been suspended since 16 January 2021, holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 584,148,256 Shares held by Grand Powerful Group Limited and 100% interest in China Print Power Limited and is deemed to be interested in 102,952,000 Shares held by China Print Power Limited. Mr. Cheng personally holds 108,249,824 Shares and shall purchase up to 153,750,000 Shares upon request from an option holder. Mr. Cheng is having a right derived from an option to purchase up to 120,000,000 Shares from another option holder.

(ii) Interest in underlying shares of the Company

Name of Director/ chief executive	Nature of interest	Number of underlying Shares *(Note 1)*	Approximate percentage of shareholding at 31/12/2020
Mr. Cheng Ming Kit *(Note 2)*	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%

Notes:

1. 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.

2. Mr. Cheng was redesignated as non-executive Director and Deputy Chairman on 6 July 2020 and his duties has been suspended since 16 January 2021.

(iii) Interest in associated corporations

		At 31/12/2020	
Name of Director	**Name of associated corporation**	**Number of shares**	**Percentage of shareholding**
Mr. Cheng Ming Kit *(note 1)*	Grand Powerful Group Limited	1	100%
	China Print Power Limited	10,000	100%

Note:

1. Mr. Cheng was redesignated as non-executive Director and Deputy Chairman on 6 July 2020 and his duties has been suspended since 16 January 2021.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 31/12/2020
Grand Powerful Group Limited *(Note 2)*	Beneficial owner	584,148,256 (L)	4.50%
Beijing Gas Company Limited *(Note 3 & 4)*	Beneficial owner	5,341,042,131 (L)	41.13%
Beijing Gas Group Co., Ltd *(Note 3 & 4)*	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Beijing Enterprises Group Company Limited *(Note 3 & 4)*	Interest of controlled corporation	5,341,042,131 (L)	41.13%
Lee Tsz Hang *(Note 4)*	Beneficial owner	564,845,000 (L)	4.35%
	Interest of controlled corporation	213,032,000 (L)	1.64%

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 ("Mr. Cheng"), redesignated as non-executive Director and Deputy Chairman of the Board on 6 July 2020 (duties suspended on 16 January 2021). The interest disclosed represented the same interest as the corporate interest of Mr. Cheng 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 Chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and a director and general manager of Beijing Gas Group Co., Ltd.

4. As per the disclosure of interest form filed by Beijing Gas Company Limited on 19 September 2018, Beijing Gas Company is interested in 5,341,042,131 issued Shares and 337,777,778 unissued Shares, which shall be issued and allotted upon completion of the acquisition of Beijing Gas Group (Teng Country) Co., Ltd.* (北京燃氣集團藤縣有限公司). As at the date of this report, such acquisition has yet to be completed. For further details regarding the acquisition, please refer to the Company's circular dated 26 April 2018.

5. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 213,032,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 564,845,000 Shares.

Save as disclosed above, the Company has not been notified of any persons/corporations (other than the Directors and the chief executive officer of the Company) who had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the 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 2020, 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. Subject to earlier termination by the Company in general meeting or by the Board, the share option scheme shall be valid and effective for a period of 10 years from the date of its adoption. Details of the share option scheme are set out in note 36 to the consolidated financial statements.

The following table discloses movements of the Company's share options during the year ended 31 December 2020:

Category of grantee	Exercise price per share option HK$	Date of grant	Exercisable period	Number of share options as at 1 January 2020	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 2020
Directors:								
Mr. Cheng Ming Kit (duties suspended since 16 January 2021)	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
Sub-total				14,944,030	–	–	–	14,944,030
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	(9,962,690)	–
	0.660	20 July 2016	20 July 2017 to 19 July 2020	24,300,000	–	–	24,300,000	–
Sub-total				34,262,690	–	–	34,262,690	–
Total				49,206,720	–	–	34,262,690	14,944,030
Exercisable at the end of the year								14,944,030
Weighted average exercise price				HK$0.471	N/A	N/A	HK$0.551	HK$0.286
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 34,262,690 share options were lapsed.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 42 to the consolidated financial statements.

For those related party transactions which constituted connected transactions or continuing connected transactions (as the case may be) of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions with connected persons of the Company. Under the Listing Rules, such transactions are deemed as connected transactions or continuing connected transactions and are subject to the reporting requirements under Chapter 14A of the Listing Rules:

On 7 August 2020, the Company entered into a sales contract with Beijing Gas Singapore Private Limited ("Beijing Gas Singapore"), pursuant to which Beijing Gas Singapore agreed to purchase 26,000 tonnes of Ethylene Glycol from the Company at a total consideration of US$11,440,000 (equivalent to approximately HK$88,660,000). For more details related to this connected transaction, please refer to the announcement of the Company dated 7 August 2020.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group had the following continuing connected transactions ("CCTs"), details of which are set out below:

(i) A LNG Supply Agreement entered into between 北京北燃藍天能源有限公司 (Beijing Gas Blue Sky Energy Limited*) ("Beijing Blue Sky Energy") as supplier and Kunlun Energy Investment Shandong Company Limited ("Kunlun Energy Shandong") as purchaser

* *The English translation of Chinese names for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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 2020: RMB255,000,000

For the period commencing from 1 January 2021 to 8 May 2021: RMB85,000,000

There was no sales to Kunlun Energy Shandong for the year ended 31 December 2020.

(ii) A LNG Purchase Agreement entered into between 北京北燃藍天能源有限公司 (Beijing Beiran Blue Sky Energy Co., Ltd.*) ("Beijing Blue Sky Energy") as buyer and 山東昆侖實華天然氣有限公司 (Shandong Kunlun Shihua Natural Gas Co., Ltd*) ("Kunlun Shihua") as supplier

* *The English translation of Chinese names for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Date:	16 September 2020
Terms:	16 September 2020 to 31 January 2021
Subject Matter:	Purchase of LNG by Beijing Blue Sky Energy from Kunlun Shihua in the PRC
Basis of Pricing:	The consideration is determined by arm's length negotiations on normal commercial terms and is in accordance with the following principles: (i) The benchmark price quoted by Sinopec's receiving terminal and confirmed by both parties by way of quotation letter; (ii) The quantity of gas supply guaranteed by and the distribution services provided by Kunlun Shihua; and (iii) The purchase price from Kunlun Shihua will be no less favourable than the purchase price from the Independent Third Parties purchasing at the same time of similar order quantities.
Annual Cap:	For the period commencing from 16 September 2020 to 31 January 2021 is RMB105,360,000 (equivalent to approximately HK$119,436,000).

The total purchase made by Beijing Blue Sky Energy from Kunlun Shihua for the year ended 31 December 2020 amounted to approximately HK$20,043,000.

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

A copy of the auditors' letter on the continuing connected transactions of the Group for the year ended 31 December 2020 has been provided by the Company to the Stock Exchange.

DIVIDEND POLICY

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

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

- 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 November 2021. 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 applied the principles and the code provisions of the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has complied with the code provisions as set out in the CG Code throughout FY2020, save as disclosed in the corporate governance report of this annual report.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there are no changes in the information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the publication of the 2020 interim report.

DISCLOSURE UNDER RULE 13.21 OF THE LISITING RULES

Bank facility letter entered into on 2 March 2020

Pursuant to a facility letter entered into between the Company and a bank on 2 March 2020, in relation to a 3-year facility of HK$500,000,000, the Company undertakes that Beijing Gas Group Co., Ltd, directly holds approximately 41.13% of the issued shares of the Company and is the largest shareholder of the Company.

Uncommitted trade finance facility letter entered into on 6 March 2020

Pursuant to the trade finance facility entered into between the Company and a bank on 6 March 2020, in relation to an uncommitted trade finance facility of US$50,000,000, the Company undertakes that Beijing Gas Group Co., Ltd. directly or indirectly holds at least 40% of the issued shares of the Company. The trade finance facility is subject to the overriding right by the bank at any time to terminate and cancel.

Bank facility letter entered into on 9 April 2020

Pursuant to the 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 Company undertakes that Beijing Gas Group Co., Ltd. directly or indirectly holds at least 35% of the issued shares of the Company. The facility has no fixed term and the bank is entitled to terminate the facility and demand immediate repayment of all outstanding amounts from time to time.

Bank facility agreement entered into on 24 April 2020

Pursuant to the facility agreement entered into between the Company and a bank on 24 April 2020, in relation to a one-year loan facility of HK$100,000,000, the Company undertakes that Beijing Gas Group Co., Ltd directly or indirectly remains as the largest shareholder of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the facility and demand immediate repayment of all outstanding amounts from time to time.

Bank facility letter entered into on 8 June 2020

Pursuant to the facility letter entered into between the Company and a bank on 24 April 2020, in relation to a 6-month uncommitted term loan facility of up to HK$150,000,000, the Company undertakes that Beijing Gas Group Co., Ltd directly or indirectly holds at least 35% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the bank may terminate the facility and demand immediate repayment of all outstanding amounts from time to time.

Bank facility letter entered into on 14 August 2020

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

Bank facility agreement entered into on 17 August 2020

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

Bank facility letter entered into on 7 September 2020

Pursuant to the facility letter entered into between the Company and a bank on 7 September 2020, in relation to the facility of US$30,000,000 for irrevocable letters of credit with full trust receipts and/or for invoice financing on invoices issued by vendors, the Company undertakes that Beijing Enterprises Holdings Limited directly or indirectly holds at least 40% of the issued shares of the Company. In the event the aforesaid undertaking has been breached, the Bank has the right to without notice to the Company terminate any or all outstanding facility. The facility is subject to overriding right by the bank at any time to demand repayment.

Bank facility letter entered into on 10 October 2020

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

Bank facility letter entered into on 2 November 2020

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

Bank facility letter entered into on 16 November 2020

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

Additional commitment obtained on 20 November 2020

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

SUBSIDIARIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2020 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 2020.

AUDIT COMMITTEE

The Audit Committee currently comprises five members, namely, Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing, Mr. Cui Yulei and Ms. Hsu Wai Man Helen all being independent non-executive Directors. On 31 August 2020, Ms. Hsu Wai Man Helen replaced Mr. Lim Siang Kai as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2020.

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

AUDITORS

On 13 January 2020, Deloitte Touche Tohmatsu resigned as the auditor of the Company and Mazars CPA Limited was appointed as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

On 26 January 2021, Mazars CPA Limited resigned as the auditor of the Company and Ernst & Young, was appointed as the auditor of the Company with effect from 26 February 2021. A resolution will be submitted to the annual general meeting to re-appoint Ernst & Young.

On behalf of the Board of Directors

Mr. Zhi Xiaoye
Chairman

Mr. Li Weiqi
Director

30 September 2021

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

We were engaged to audit 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 133 to 267, which comprise the consolidated statement of financial position as at 31 December 2020, 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 financial statements, including a summary of significant accounting policies.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters and the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Impairment/write-off of assets recognised during the year ended 31 December 2020

As disclosed in note 2.3 to the consolidated financial statements, the board of directors resolved to establish a special committee (the "Special Committee") to perform an investigation on certain suspicious transactions (the "Incident"). An independent forensic accountant (the "Forensic Accountant") was appointed to assist the Special Committee in conducting a forensic investigation into the Incident (the "Investigation").

The Forensic Accountant conducted the Investigation on the 22 suspicious transactions identified by the management and reported to the Special Committee (the "Reviewed Transactions").

BASIS FOR DISCLAIMER OF OPINION (Continued)

1. Impairment/write-off of assets recognised during the year ended 31 December 2020 (Continued)

On 28 September 2021, the Forensic Accountant completed their investigation and submitted a forensic investigation report (the "Forensic Investigation Report") to the Special Committee. The Special Committee reviewed and submitted the Forensic Investigation Report, together with a report of the Special Committee to the board of directors for approval on 29 September 2021 and the key findings on the Forensic Investigation Report were announced by the Company on the same date.

During the course of the preparation of the consolidated financial statements for the year ended 31 December 2020, the board of directors had taken into account the findings of the Investigation, considered the relevant information and supporting evidence available and estimated the financial impact of the matters identified in the Investigation.

As disclosed in note 2.4 to the financial statements, in addition to the Reviewed Transactions, the board of directors also reassessed the impairment of the remaining assets of the Group and the accounting treatment of certain other transactions that occurred in prior years.

As a result of the aforesaid assessments, the board of directors considered it would be appropriate to recognise impairment losses/write-off in respect of certain assets in the Group's consolidated financial statements for the year ended 31 December 2020 and the amounts recognised included:

(i) Impairment of financial assets of HK$1,567 million recognised in the current year's profit or loss;

(ii) Impairment/write-off of other assets of HK$2,319 million recognised in the current year's profit or loss; and

(iii) Write-off of financial assets of HK$119 million recognised in the current year's other comprehensive income.

However, we noted that when the board of directors performed the assessments as mentioned above, the assessments and impairment tests were not extended to the related assets as at 31 December 2019.

Accordingly, we have been unable to obtain sufficient and appropriate audit evidence to assess the appropriateness of the carrying amount of these assets of the Group as at 31 December 2019, nor have we been able to ascertain whether any of the impairment losses of HK$3,769 million and HK$119 million recognised by the board of directors in profit or loss and other comprehensive income for the year ended 31 December 2020, respectively, should have been recorded in profit or loss and other comprehensive income for the year ended 31 December 2019 and prior years. Therefore, we have been unable to determine whether it would be necessary to make adjustments to the aforesaid impairment losses/write-off recognised by the Group in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020; and the carrying amount of these assets in the Group's consolidated statement of financial position as at 31 December 2019.

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Impairment of goodwill, intangible assets, and property, plant and equipment

As disclosed in note 18 to the financial statements, certain of the Group's subsidiaries are engaged in the direct supply of natural gas to industrial end users. The board of directors noted that the scope of operations as stated in the business licenses of the related subsidiaries does not include the processing and storage of natural gas.

The carrying amount of the goodwill, intangible assets and property, plant and equipment of these subsidiaries as at 31 December 2020 (after impairment as mentioned in 1. above) amounted to HK$110 million, HK$7 million and HK$59 million, respectively. For asset impairment assessment purposes, the board of directors has assumed that the Group's direct supply of natural gas business will be continued uninterrupted and the cash flow forecasts prepared by the board of directors for asset impairment purposes had included the estimated cash flows to be generated from such operations on that basis.

Due to the lack of sufficient evidence to support the aforesaid assumptions adopted by the board of directors, we were unable to assess the reasonableness of the bases and assumptions which the Group's management adopted to determine the recoverable amounts of the related cash-generating units ("CGUs") to which the above goodwill, intangible assets and property, plant and equipment were attributed. Accordingly, we were unable to determine whether the recoverable amounts of the CGUs were appropriately estimated and whether the goodwill, intangible assets and property, plant and equipment were impaired as at 31 December 2020 and 2019. Any adjustments in respect of the Group's impairment assessment of the aforesaid assets would have a consequential impact on the Group's net assets as at 31 December 2020 and 2019 and its financial performance for the years ended 31 December 2020 and 2019.

3. Deposits paid for acquisition of subsidiaries

(a) As disclosed in note 2.3.1(a) to the financial statements, the board of directors noted that in January 2016, one of the Relevant Companies (as further detailed in note 2.5 to the financial statements) which was not a group company of the Group, entered into an equity transfer agreement with the shareholders of 浙江博臣能源股份有限公司 (Zhejiang Bochen Energy Co., Ltd, "Zhejiang Bochen") for the acquisition of the entire equity interest in Zhejiang Bochen Group for a consideration of RMB468 million. Zhejiang Bochen was ultimately held by the Zhejiang Bochen Original Shareholder.

Certain of the subsidiaries of Zhejiang Boshen (the "Acquired Companies") were transferred to the Group through four acquisition transactions from August 2016 to June 2020 at a total contracted consideration of RMB430 million. However, the board of directors noted that RMB542.88 million was paid by the Group to the Zhejiang Bochen Original Shareholder. As at the date of approval of the financial statements, 84% and 16% of the equity interest of Zhejiang Bochen is held by one of the Relevant Companies (the "Zhejiang Bochen Current Shareholder") and the Zhejiang Bochen Original Shareholder, respectively. According to the latest negotiations, the Zhejiang Bochen Current Shareholder and the Zhejiang Bochen Original Shareholder have agreed to transfer the 84% and 16% interests in Zhejiang Bochen to the Group at nil consideration but the transfer is not yet completed as at the date of approval of the financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Deposits paid for acquisition of subsidiaries (Continued)

(a) (Continued)

The board of directors considered that RMB468 million should have been accounted for as the acquisition cost of the Zhejiang Bochen Group. Thus the RMB468 million should be reallocated to the acquisition of the Acquired Companies and the entities to be transferred to the Group, including Zhejiang Bochen and/or its subsidiaries and associates/joint ventures. Accordingly, the board of directors has recalculated the purchase price allocation of the Acquired Companies based on the reallocation. For Zhejiang Bochen and its subsidiaries and associates/joint ventures that are not yet transferred to the Group, the related allocated consideration was reclassified to deposits paid for the acquisition of subsidiaries. Based on the above calculation, the board of directors has reclassified HK$317 million and HK$7 million of goodwill and intangible assets to deposits paid for the acquisition of subsidiaries as at 31 December 2020. The carrying amount of the deposits paid in respect of the acquisition of the Zhejiang Bochen Group included in the "Deposits paid for acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020 amounted to HK$226 million (after impairment adjustments of HK$168 million and the aforesaid cost reallocation).

The successful acquisition of the equity interest of Zhejiang Bochen by the Group depends on the outcome of certain events, including but not limited to (i) the potential follow up actions to be taken by the Group in relation to the compliance of laws and regulations in respect of the acquisition of the Acquired Companies; and (ii) the compliance and completion of matters as required by the Hong Kong Listing Rules in respect of the entities to be transferred to the Group.

We were unable to obtain sufficient relevant evidence to ascertain (i) the outcome of the events, including but not limited to those as mentioned above, affecting the acquisition of the equity interest of Zhejiang Bochen by the Group; (ii) the actual consideration incurred by the Group for the acquisition, as the Group did not enter into an agreement for the acquisition of Zhejiang Bochen (other than the Acquired Companies); and (iii) the recoverable amount of the equity interests of Zhejiang Bochen to be transferred to the Group and therefore the recoverability of the HK$226 million included in "Deposits paid for acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020.

Consequently, we were unable to satisfy ourselves as to whether (i) the consideration for the acquisition was properly determined; (ii) the reallocation of goodwill and intangible assets to deposits paid for the acquisition of subsidiaries should have been recorded in 2019 and in prior years; (iii) the impairment loss of HK$168 million recognised during the year was properly determined; and (iv) any further provision is required to be made against the above deposits as at 31 December 2020. Any adjustments in respect of the consideration, the reallocation and the impairment assessment of the deposits would have a consequential impact on the Group's net assets as at 31 December 2020 and 2019 and its financial performance for the years ended 31 December 2020 and 2019.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Deposits paid for acquisition of subsidiaries (Continued)

(b) As disclosed in note 2.4.2 to the financial statements in respect of the acquisition of 51% of the equity interest of 唐山華普燃氣有限公司 (Tangshan Huapu Gas Co., Ltd., "Tangshan Huapu"), the board of directors is currently in negotiation with the then sole shareholder (the "Tangshan Huapu Original Shareholder") on the final consideration to be payable by the Group. The carrying amount of the deposit paid for the acquisition of the 51% equity interest of Tangshan Huapu included in the "Deposits paid for acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020 amounted to HK$86 million (after impairment adjustment of HK$77 million).

The successful acquisition of the 51% equity interest of Tangshan Huapu by the Group depends on the outcome of certain events, including but not limited to (i) the successful negotiation between the Group and the Tangshan Huapu Original Shareholder; and (ii) the compliance with the Hong Kong Listing Rules in respect of the acquisition.

We were unable to obtain sufficient relevant evidence to ascertain the outcome of the events, including but not limited to the aforesaid events affecting the acquisition of the 51% equity interest of Tangshan Huapu by the Group. We are also unable to obtain sufficient relevant evidence to ascertain the recoverable amount of the 51% equity interests of Tangshan Huapu to be transferred to the Group.

Consequently we were unable to satisfy ourselves as to whether the provision was properly determined. Any adjustments in respect of the Group's impairment assessment of the deposit would have a consequential impact on the Group's net assets as at 31 December 2020 and 2019 and its financial performance for the years ended 31 December 2020 and 2019.

(c) As disclosed in note 2.3.1(c) to the financial statements in respect of the acquisition of a 39% further interest in 山西民生天然氣有限公司 (Shanxi Minsheng Natural Gas Co., Ltd) ("Shanxi Minsheng") and 永濟市民生天然氣有限公司 (Yongji Minsheng Natural Gas Co., Ltd.) ("Yongji Minsheng"), the board of directors is currently in negotiation with an individual third party which held all of the equity interests of Shanxi Minsheng and Yongji Minsheng (the "Shanxi Minsheng Original Shareholder") for the acquisition, despite that the refund period of the deposits paid by the Group had already expired according to the investment intention agreement and a supplementary agreement (collectively the "Investment Intention Agreements") in February 2021. The carrying amount of the deposits paid included in the "Deposits paid for acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020 amounted to HK$50 million (after provision for expected credit loss).

The successful acquisition of the 39% equity interest of Shanxi Minsheng and Yongji Minsheng by the Group depends on the successful negotiation between the Group and the Shanxi Minsheng Original Shareholder. We were unable to obtain sufficient relevant evidence to ascertain the outcome of the negotiation and therefore we were unable to satisfy ourselves as to whether any provision is required to be made against the above deposits as at 31 December 2020. Any adjustments in respect of the Group's impairment assessment of the deposits would have a consequential impact on the Group's net assets as at 31 December 2020 and its financial performance for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION (Continued)

4. Unsubstantiated cash payments and receipts

As disclosed in note 2.3.1(c) to the financial statements, the board of directors noted that after the completion of the acquisition of equity interest in Shanxi Minsheng, the Group paid, through Shanxi Minsheng, an aggregate amount of RMB134 million to a person (the “Person”) who did not appear to have a business relationship with the Group. The board of directors noted that prior to the payment to the Person, certain current account offsetting agreements were entered into between Shanxi Minsheng, the Person and certain persons and suppliers (the “Original Creditors”) and the amounts became payable by the Group to the Person (the “Offsetting Arrangements”) prior to the payment made by Shanxi Minsheng to the Person. However, the board of directors could only obtain the account offsetting agreements for certain of the amounts being setoff.

In August 2021, the Company entered into an agreement with certain parties, including the buyer (the “Buyer”) of the Group’s printing business in prior years who is suspected to be related to the Person, pursuant to which the Buyer confirmed that HK$65 million was still owed by the Buyer to the Group in respect of the acquisition of the Group’s printing business by the Buyer in prior years and the Buyer agreed to settle the amounts by installments. Up to the date of approval of the consolidated financial statements, HK$12 million was settled by the Buyer to the Group according to the terms of the agreement. The board of directors recognised HK$65 million as other receivable and the amount was included in “Prepayments, deposits and other receivables” in the consolidated statement of financial position as at 31 December 2020. The same amount was credited to the Group’s profit or loss during the year and the amount was included in the “Other expenses, net” in profit or loss for the year ended 31 December 2020.

Because no satisfactory explanation was provided on the matters as described above and the board of directors is unable to obtain all offsetting agreements in relation to the Offsetting Arrangements, there were no alternative audit procedures that we could perform to satisfy ourselves as to (i) the business rationale and commercial substance of the aforesaid matters; and (ii) whether the RMB134 million was properly setoff between the Group, the Person and the Original Creditors prior to the payment to the Person.

We have been unable to determine (i) whether it would be necessary to make adjustments to the HK$65 million included in other receivables as at 31 December 2020 and the validity of crediting to the amount in the Group’s profit or loss; (ii) if any liability was still payable by the Group as at 31 December 2020 in relation to the amounts payable to the Original Creditors; and (iii) whether there are any matters that may arise from the Group’s disposal of the printing business that may have any financial impact on the Group’s consolidated statement of financial position as at 31 December 2020 and 2019 and its financial performance for the years ended 31 December 2020 and 2019.

BASIS FOR DISCLAIMER OF OPINION (Continued)

5. Consolidation

(a) As disclosed in note 2.5 to the financial statements, the board of directors discovered the existence of the service agreements (the "Service Agreements") signed between the Company and certain third parties (the "Nominees") relating to the holding of the equity interests in certain companies on behalf of the Company (the "Relevant Companies") by the Nominees for the Company. The board of directors denies the validity of the Service Agreements and accordingly, the Relevant Companies which are not yet acquired by the Group (the "Unacquired Relevant Companies") were not consolidated or equity accounted by the Company as the Group had no control or significant influence over the Unacquired Relevant Companies.

We were unable to obtain sufficient relevant evidence to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group and whether the Unacquired Relevant Companies should have been consolidated by the Group according to International Financial Reporting Standard 10 *Consolidated Financial Statements* or accounted for under the equity method of accounting according to International Accounting Standard 28 *Investments in Associates and Joint Ventures*.

Consequently, we were unable to determine whether adjustments are required to be made to the Group's consolidated statement of financial position as at 31 December 2020 and 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2020 and 2019 in respect of the Unacquired Relevant Companies.

(b) As disclosed in note 20 to the financial statements, the Group holds a 65% equity interest in 錢唐融資租賃股份有限公司 (Qian Tang Finance Lease Co., Ltd.) ("Qian Tang"). In the opinion of the board of directors, due to a dispute with the new holder of the 35% equity interest of Qian Tang (the "New JV Partner"), the Group is unable to control the Relevant Activities of Qian Tang, despite that the Group is able to control the composition of the board of directors of Qian Tang according to the current articles of association. Consequently, Qian Tang was accounted for as a joint venture by the Group as at 31 December 2020 and 2019 and during the year. At 31 December 2020 and 2019, the Group's carrying amount of the investment in Qian Tang amounted to HK$175 million and HK$166 million, respectively, and the Group's share of losses of Qian Tang during the years ended 31 December 2020 and 2019 amounted to HK$537,000 and HK$4 million, respectively.

We were unable to obtain sufficient relevant evidence supporting the appropriateness of the accounting treatment adopted by the Group to account for its investment in Qian Tang as a joint venture and consequently we were unable to determine whether adjustments are required to be made to the Group's consolidated statement of financial position as at 31 December 2020 and 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2020 and 2019.

BASIS FOR DISCLAIMER OF OPINION (Continued)

5. Consolidation (Continued)

(c) During our audit, we noted that certain of the intra-group balances as at 31 December 2020 and 2019 could not be eliminated in full on consolidation. The net differences amounted to HK$412 million as at 31 December 2020 and HK$340 million as at 31 December 2019 and the differences were adjusted to the Group's exchange fluctuation reserve in other comprehensive income as at 31 December 2020 and 2019.

We were unable to obtain sufficient appropriate audit evidence supporting this treatment of the aforesaid differences as at 31 December 2020 and 2019. Consequently, we were unable to determine whether any adjustment to the Group's exchange fluctuation reserve and/or other account items of the Group were necessary.

6. Related party transactions

(a) During our audit, the management represented that related parties were identified for significant transactions and the terms of agreements, including pricing policies, were approved by the board of directors. However, we noted that the Group does not have a clear internal control mechanism in respect of related party transactions, including the definition of related parties, the reconciliation of balances with related parties, pricing policy for transactions with related parties and approval procedures for contracts with related parties. We also noted that the management of the Group did not prepare a proper list of related parties of the Group.

(b) In respect of the Unacquired Relevant Companies as disclosed in 5.(a) above, the management also represented that the Unacquired Relevant Companies are not related parties of the Group.

However, we were unable to ascertain whether the Unacquired Relevant Companies were related parties of the Group and whether the transactions with the Unacquired Relevant Companies should be disclosed as related party transactions in the consolidated financial statements pursuant to International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

In respect of the matters in (a) and (b) above, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements, and whether there were any further related party transactions that would require disclosure. As a result, we were unable to satisfy ourselves as to the completeness and adequacy of the disclosures of the Group's related party transactions under IAS 24 in the consolidated financial statements for the year ended 31 December 2020.

BASIS FOR DISCLAIMER OF OPINION (Continued)

7. Investments in associates and joint ventures

The Group holds a number of investments in associates and joint ventures which are accounted for using the equity method of accounting.

We were unable to obtain sufficient appropriate audit evidence we considered necessary regarding the financial information of certain associates and joint ventures of the Group (the "Associates and JVs"), including the financial information of Qian Tang as included in 5.(b) above. At 31 December 2020 and 2019, the Group's carrying amount of the investments in these Associates and JVs amounted to HK$30 million and HK$182 million, respectively, and the share of losses of these Associates and JVs recognised by the Group during the year ended 31 December 2020 amounted to HK$1.2 million and HK$0.9 million, respectively. Given these scope limitations, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the Group's carrying amount of the investments in the Associates and JVs as at 31 December 2020 and 2019 and the Group's share of results of the Associates and JVs for the year ended 31 December 2020 and 2019 were necessary.

We were also unable to obtain sufficient appropriate audit evidence we considered necessary regarding the amounts of HK$160 million and HK$150 million due to Qian Tang by the Group included in "Amounts due to joint ventures" included in the consolidated statement of financial position as at 31 December 2020 and 2019, respectively. There were no alternative audit procedures that we could perform to satisfy ourselves as to the existence and valuation of the amounts as at 31 December 2020 and 2019. Consequently, we were unable to determine whether any adjustments to the amounts at 31 December 2020 and 2019 were required.

BASIS FOR DISCLAIMER OF OPINION (Continued)

8. Unreturned loan confirmations and bank confirmations

(a) We were unable to obtain loan confirmations directly from certain bond holders. The amounts due by the Group to these bond holders as at 31 December 2020 and 2019 amounted to HK$456 million and HK$787 million, respectively, and were included in bank and other borrowings in the consolidated statement of financial position.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the accuracy of the carrying amount of the loans due to these bond holders as at 31 December 2020 and 2019. Consequently, we were unable to determine whether any adjustments to the Group's bank and other borrowings amounts as at 31 December 2020 and 2019 were required.

(b) We were unable to obtain bank confirmations or bank statements directly from (i) three banks outside of Mainland China (including a bank in Hong Kong), as the board of directors was unable to arrange the signature from the authorised person on the confirmations and the board of directors was unable to arrange the change of authorised signature with the related banks; and (ii) a bank located in Hong Kong, as the bank account had been closed during the year. In the Group's accounting records, the Group had an insignificant amount of cash in these bank accounts as at 31 December 2020 and the Group had HK$39 million of cash deposited in one of the banks located in Hong Kong as at 31 December 2019. HK$20 million of loan was due to one of the banks in Hong Kong by the Group as at 31 December 2020 and 2019.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the accuracy of the carrying amount of the HK$20 million of loan due to one of the banks in Hong Kong and to ascertain whether there are other loans due to these banks as at 31 December 2020 and 2019 and the existence of the HK$39 million of cash deposited in the bank in Hong Kong as at 31 December 2019. Consequently, we were unable to determine whether any adjustment to the Group's bank loans as at 31 December 2020 and 2019 and the Group's cash at bank as at 31 December 2020 and 2019 was required.

BASIS FOR DISCLAIMER OF OPINION (Continued)

9. Prior years' purchase price allocations for the acquisition of subsidiaries and an associate

(a) In prior years, the Group had acquired a number of subsidiaries and intangible assets were recognised as a result of the purchase price allocation ("PPA") for certain of the acquisitions. The intangible assets initially recognised represented the fair value of the operating concessions of the acquired subsidiaries and the amounts were determined according to the valuations performed by independent professional valuers based on the income approach. The income approach was applied based on the cash flow forecasts of the subsidiaries acquired prepared by the then management. The aggregate carrying amount of the intangible assets recognised as at 31 December 2020 and 2019 (before the impairment losses recognised as disclosed in 1. above) amounted to HK$1,091 million and HK$1,163 million, respectively.

We had obtained the valuation reports issued by the independent professional valuers in respect of the intangible assets recognised during the PPAs. However, we were unable to obtain proper documentation prepared by the then management as to the basis of the assumptions adopted in the cash flow forecasts and consequently we were unable to assess the reasonableness of the bases and assumptions adopted. For one of the acquisitions in which HK$350 million of intangible assets was initially recognised as a result of the PPA, we noted that the fair value of intangible asset as stated in the valuation report was HK$366 million higher than the amount recognised by the then management in the Group's consolidated financial statements and we were unable to verify the difference.

Accordingly, we were unable to determine whether the Group's intangible assets were properly recognised as a result of the PPAs and consequently whether the Group's goodwill and intangible assets were properly stated as at 31 December 2020 and 2019. We were also unable to determine the classification of the impairment losses recognised on goodwill and intangible assets during the year.

(b) During the year ended 31 December 2018, the Group acquired certain equity interests in a company which was classified as an associate by the Group. For the purpose of the PPA, the identifiable assets and liabilities of the associate acquired were assessed by the then management based on independent valuations prepared by an independent professional valuer. We had obtained the valuation report issued by the independent professional valuer but we were unable to verify the basis of the valuation of the property, plant and equipment of the associate. The carrying amount of the property, plant and equipment of the associate as at 31 December 2020 amounted to HK$5,508 million (2019: HK$5,157 million), in which HK$1,597 million (2019: HK$1,501 million) is attributable to the Group after equity accounting.

Accordingly, we were unable to determine whether the fair value of the property, plant and equipment of the associate was properly recognised as a result of the PPA, and consequently whether any adjustment is required to be made to the Group's share of net assets of the associate as at 31 December 2020 and 2019 and Group's share of profit or loss of the associate for the years ended 31 December 2020 and 2019.

BASIS FOR DISCLAIMER OF OPINION (Continued)

10. Revenue from the trading of goods

During the year ended 31 December 2020, the Group was engaged in the trading of liquified natural gas ("LNG") in Mainland China and the international trading of LNG and other industrial products.

The board of directors was unable to provide satisfactory explanation about the business rationale and commercial substance of certain of the Group's trading transactions carried out during the year ended 31 December 2020, including sales and purchases of LNG and other industrial products with the Unacquired Relevant Companies (as defined in 5.(a) above) and the trading activities which involved multiple parties within the same transactions. We were also unable to obtain sufficient appropriate audit evidence we considered necessary evidencing the delivery or receipt of goods for certain of the Group's trading transactions carried out during the year ended 31 December 2020.

The gross amount of sales and cost of sales of these transactions carried out during the year ended 31 December 2020 amounted to HK$874 million and HK$868 million, respectively, and the Group accounted for these transactions on a net basis and net income of HK$6 million had been recognised in the Group's revenue for the year ended 31 December 2020. The aforesaid accounting treatment was not applied by the board of directors for the prior year's figures.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance of these trading activities and the appropriateness of the accounting treatment applied. Therefore we were unable to determine whether any adjustments were necessary in respect of the trading transactions in the preceding paragraph incurred during the year ended 31 December 2020.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's financial performance for the year ended 31 December 2020 and the related elements making up the consolidated statement of financial position as at 31 December 2020.

11. Disagreement on accounting treatment affecting opening balances

As disclosed in note 2.4.7 to the financial statements, the Group corrected a prior year's accounting error in respect of two sales and leaseback arrangements but the comparative amounts were not restated. In our opinion, this is not in accordance with International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred. Accordingly, the Group's property, plant and equipment and right-of-use assets as at 31 December 2019 should be increased/decreased by HK$159 million and the Group's bank and other borrowings and lease liabilities at 31 December 2019 should be increased/decreased by HK$142 million.

BASIS FOR DISCLAIMER OF OPINION (Continued)

12. Material uncertainties relating to going concern

As described in note 2.2 to the financial statements, at 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately HK$2,692 million. The Group's total bank and other borrowings as at 31 December 2020 amounted to HK$3,518 million, including HK$1,953 million due for repayment in 2021 according to the repayment schedule of the respective loan agreements. In addition, HK$1,412 million of bank and other loans due after 2021 were reclassified as current liabilities as at 31 December 2020 as certain debt covenants were breached based on the financial information of the Group for the year ended 31 December 2020.

Furthermore, the trading of the shares of the Company has been suspended since 18 January 2021 and the Company was unable to submit the consolidated financial statements for the year ended 31 December 2020 by the deadlines as set out in the bank and other loans agreements. These also triggered events of default in respect of certain of the Group's bank and other borrowings. The respective amounts as at 31 December 2020 were already included in current liabilities due to the breach of covenants as mentioned in the preceding paragraph.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.2 to the financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully obtaining assistance from a major shareholder and the eventual form of assistance; (ii) successfully obtaining agreement with the creditors of the defaulted borrowings for a standstill moratorium and the restructuring scheme arrangement; and (iii) resumption of trading of the Company's shares.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report. We report solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because we have not been able to obtain sufficient appropriate audit evidence and due to the matters and the potential interaction of the multiple uncertainties related to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for Disclaimer of Opinion* section of our report, it is not possible for us to form an opinion on the consolidated financial statements. 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tsang Chiu Hang.

Ernst & Young
Certified Public Accountants
Hong Kong
30 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	6	**1,463,102**	2,676,129
Cost of sales		**(1,307,855)**	(2,451,619)
Gross profit		**155,247**	224,510
Other income and gains, net	7	**34,840**	165,634
Administrative expenses		**(363,130)**	(339,250)
Other expenses, net		**(254,474)**	(22,730)
(Provision for)/reversal of impairment losses on financial assets, net	8	**(1,567,110)**	5,749
Impairment losses on other assets	8	**(2,035,804)**	–
Finance costs	9	**(195,462)**	(244,162)
Share of profit/(loss) of:			
Associates	19	**320,432**	305,712
Joint ventures	20	**(11,767)**	1,575
PROFIT/(LOSS) BEFORE TAX	8	**(3,917,228)**	97,038
Income tax credit/(expense)	11	**110,826**	(23,168)
PROFIT/(LOSS) FOR THE YEAR		**(3,806,402)**	73,870
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**130,636**	(370,700)
Share of other comprehensive income/(loss) of associates and joint ventures		**35,004**	(140,038)
		165,640	(510,738)
Items that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Change in fair value		**(7,620)**	(116,442)
Write-off of assets		**(111,375)**	–
		(118,995)	(116,442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**46,645**	(627,180)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,759,757)**	(553,310)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	**2020** ***HK$'000***	2019 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		**(3,716,327)**	(10,871)
Non-controlling interests		**(90,075)**	84,741
		(3,806,402)	73,870
TOTAL COMPREHENSIVE INCOME/(LOSS)			
ATTRIBUTABLE TO:			
Owners of the Company		**(3,675,341)**	(602,453)
Non-controlling interests		**(84,416)**	49,143
		(3,759,757)	(553,310)
LOSSES PER SHARE ATTRIBUTABLE TO			
SHAREHOLDERS OF THE COMPANY			
Basic and diluted	12	**(HK28.62 cents)**	(HK0.08 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**515,877**	481,055
Investment properties	24(c)	**36,635**	–
Right-of-use assets	15(a)	**46,873**	222,832
Intangible assets	16	**422,744**	1,162,748
Goodwill	17	**257,447**	1,475,408
Investments in associates	19	**1,852,051**	1,771,318
Investments in joint ventures	20	**189,618**	360,346
Deposits paid for acquisition of subsidiaries	21	**435,272**	772,178
Deposits for acquisition of property, plant and equipment	22	**27,353**	77,151
Prepayments and other receivables	26	**802**	45,800
Equity investments at fair value through other comprehensive income	27	**696**	119,662
Other non-current assets		**300**	300
Total non-current assets		**3,785,668**	6,488,798
CURRENT ASSETS			
Inventories	23	**18,395**	54,356
Trade receivables	24	**249,347**	360,902
Contract assets	25	**52,557**	46,606
Prepayments, deposits and other receivables	26	**564,896**	874,776
Amounts due from associates	19	**1,189**	31,344
Amounts due from joint ventures	20	**41,750**	38,022
Financial assets at fair value through profit or loss	28	**7,088**	220,234
Pledged deposits	29	**46,993**	–
Cash and bank balances	29	**705,408**	542,298
Total current assets		**1,687,623**	2,168,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
CURRENT LIABILITIES			
Trade and bills payables	30	**357,054**	354,788
Other payables and accruals	31	**496,991**	285,427
Bank and other borrowings	32	**3,364,798**	2,167,410
Amounts due to associates	19	**4,411**	–
Amounts due to joint ventures	20	**151,341**	–
Lease liabilities	15(b)	**4,570**	35,587
Convertible bonds	33	**–**	373,412
Total current liabilities		**4,379,165**	3,216,624
NET CURRENT LIABILITIES		**(2,691,542)**	(1,048,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,094,126**	5,440,712
NON-CURRENT LIABILITIES			
Amounts due to joint ventures	20	**16,963**	135,148
Bank and other borrowings	32	**153,651**	318,511
Lease liabilities	15(b)	**7,665**	126,164
Deferred tax liabilities	35	**105,686**	289,812
Total non-current liabilities		**283,965**	869,635
Net assets		**810,161**	4,571,077
EQUITY			
Equity attributable to owners of the Company			
Share capital	34	**714,236**	714,236
Reserves	40	**35,666**	3,712,581
		749,902	4,426,817
Non-controlling interests		**60,259**	144,260
TOTAL EQUITY		**810,161**	4,571,077

Approved and signed on behalf of the Company's New Board on 30 September 2021.

Zhi Xiaoye
Director

Li Weiqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital HK$'000 (note 34)	Share premium HK$'000 (note 40(a))	Share option reserve HK$'000 (note 36)	FVTOCI reserve HK$'000 (note 40(b))	Merger reserve HK$'000 (note 40(c))	Other reserve HK$'000 (note 40(d))	Translation reserve HK$'000 (note 40(e))	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity 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
Profit/(loss)for the year	–	–	–	–	–	–	–	(10,871)	(10,871)	84,741	73,870
Other comprehensive loss for the year:											
Exchange differences related to foreign operations	–	–	–	–	–	–	(335,102)	–	(335,102)	(35,598)	(370,700)
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	–	–	(140,038)	–	(140,038)	–	(140,038)
Changes in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	(116,442)	–	–	–	–	(116,442)	–	(116,442)
Total comprehensive income/(loss) for the year	–	–	–	(116,442)	–	–	(475,140)	(10,871)	(602,453)	49,143	(553,310)
Recognition of equity-settled share-based payments	–	–	528	–	–	–	–	–	528	–	528
Forfeiture of share options	–	–	(6,601)	–	–	–	–	6,601	–	–	–
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	–	–	–	4,605	4,605
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	5,858	5,858
Transfer	–	–	–	–	–	24,713	–	(24,713)	–	–	–
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

	Attributable to owners of the Company										
	Share capital ***HK$'000*** (note 34)	**Share premium** ***HK$'000*** (note 40(a))	**Share option reserve** ***HK$'000*** (note 36)	**FVTOCI reserve** ***HK$'000*** (note 40(b))	**Merger reserve** ***HK$'000*** (note 40(c))	**Other reserve** ***HK$'000*** (note 40(d))	**Translation reserve** ***HK$'000*** (note 40(e))	**Retained profits/ (accumulated losses)** ***HK$'000***	**Sub-total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
At 1 January 2020	**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**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,716,327)**	**(3,716,327)**	**(90,075)**	**(3,806,402)**
Other comprehensive income/(loss) for the year:											
Exchange differences related to foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**124,977**	**-**	**124,977**	**5,659**	**130,636**
Share of other comprehensive income of associates and joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**35,004**	**-**	**35,004**	**-**	**35,004**
Equity investments designated at fair value through other comprehensive income:											
Changes in fair value	**-**	**-**	**-**	**(7,620)**	**-**	**-**	**-**	**-**	**(7,620)**	**-**	**(7,620)**
Write-off of assets	**-**	**-**	**-**	**7,620**	**-**	**-**	**-**	**(118,995)**	**(111,375)**	**-**	**(111,375)**
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**159,981**	**(3,835,322)**	**(3,675,341)**	**(84,416)**	**(3,759,757)**
Forfeiture of share options	**-**	**-**	**(3,954)**	**-**	**-**	**-**	**-**	**3,954**	**-**	**-**	**-**
Acquisition of subsidiaries (note 38)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(836)**	**(836)**
Acquisition of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(1,574)**	**-**	**-**	**(1,574)**	**1,229**	**(345)**
Capital injection from non-controlling shareholders of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22**	**22**
Transfer	**-**	**-**	**-**	**-**	**-**	**10,302**	**-**	**(10,302)**	**-**	**-**	**-**
At 31 December 2020	**714,236**	**4,270,611***	**123***	**(47,317)***	**(43,048)***	**(28,869)***	**(555,471)***	**(3,560,363)***	**749,902**	**60,259**	**810,161**

* These reserve accounts comprise the consolidated reserves of HK$35,666,000 (2019: HK$3,712,581,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(3,917,228)**	97,038
Adjustments for:			
Amortisation of intangible assets	8, 16	**72,070**	71,873
Depreciation of right-of-use assets	8, 15(a)	**18,474**	19,059
Depreciation of property, plant and equipment	8, 14	**71,562**	48,360
Impairment of goodwill	8, 17	**869,627**	–
Impairment of property, plant and equipment	8, 14	**158,983**	–
Impairment of right-of-use assets	8, 15(a)	**9,046**	–
Impairment of intangible assets	8, 16	**660,499**	–
Impairment of investments in associates	8, 19	**159,899**	–
Impairment of investments in joint ventures	8, 20(d)	**177,750**	–
Impairment of deposits paid for acquisition of subsidiaries	8, 21	**772,033**	–
Impairment of deposits for acquisition of property, plant and equipment	8, 22	**49,598**	–
Write-off of financial assets at FVTPL	8, 28	**223,572**	–
Write-off of inventories	8, 23	**59,809**	–
Impairment of amounts due from associates	8, 19(b)	**30,809**	–
Impairment/(reversal of impairment) of trade receivables	8, 24(b)	**135,864**	(22,256)
Impairment of prepayment, deposits and other receivables	8, 26(d)	**578,806**	16,507
Change in fair value of financial assets at FVTPL		**43**	(1,869)
Change in fair value of embedded derivatives at FVTPL		**–**	(6,003)
Interest income	7	**(7,144)**	(33,226)
Finance costs	9	**195,462**	244,162
Share of profits of associates		**(320,432)**	(305,712)
Share of losses/(profits) of joint ventures		**11,767**	(1,575)
Unrealised exchange gain, net		**–**	(11,503)
Government subsidies		**–**	(82,052)
Expenses for equity-settled share-based payment		**–**	528
		10,869	33,331
Decrease/(increase) in inventories		**(26,801)**	29,892
Decrease/(increase) in contract assets		**(8,684)**	43,655
Increase/(decrease) in contract liabilities		**105,532**	(92,611)
Decrease/(increase) in trade and other receivables		**(333,710)**	86,550
Increase/(decrease) in trade and other payables		**73,224**	(99,769)
Cash (used in)/generated from operations		**(179,570)**	1,048
Interest paid		**(165,951)**	(112,463)
Income tax paid		**(10,895)**	(10,944)
Net cash used in operating activities		**(356,416)**	(122,359)

Year ended 31 December 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,144**	6,248
Loan to third parties		**(14,839)**	(99,194)
Repayment from consideration receivables		**–**	145,797
Repayment of construction cost payables		**–**	(40,713)
Purchases of property, plant and equipment		**(48,498)**	(51,712)
Additions of right-of-use assets		**(8,229)**	–
Proceeds from disposal of property, plant and equipment		**3,869**	70,362
Deposits paid for acquisition of subsidiaries		**(110,948)**	(229,991)
Investment in associates		**(55)**	(5,277)
Dividend received from an associate	19	**198,586**	217,924
Increase in pledged deposits		**(46,993)**	–
Increase in time deposit with maturity of more than three months when acquired		**(35,607)**	–
Advance to associates		**(2,306)**	(797)
Advance to joint ventures		**(5,951)**	–
Purchase of financial assets at FVTPL		**(5,935)**	(27,048)
Purchase of equity investments at FVTOCI		**–**	(3,070)
Proceeds from disposal of financial assets at FVTPL		**4,891**	11,569
Proceeds from redemption of promissory note receivable		**–**	8,750
Net cash inflow/(outflow) for the acquisition of subsidiaries	38	**3,475**	(71,809)
Net cash used in investing activities		**(61,396)**	(68,961)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 *HK$'000*	2019 *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Transaction cost attributable to issuance of convertible bonds		**–**	(7,892)
Proceeds from bank and other borrowings raised		**2,473,666**	1,747,655
Repayment of bank and other borrowings		**(1,582,648)**	(741,486)
Principal portion of lease liabilities, net		**(9,615)**	(13,612)
Redemption of convertible bonds		**(402,065)**	(404,810)
Advance from associates		**4,435**	–
Advance from joint ventures		**41,168**	64,047
Acquisition of non-controlling interests		**(345)**	–
Capital contribution from non-controlling interests of subsidiaries		**22**	5,858
Net cash from financing activities		**524,618**	649,760
NET INCREASE IN CASH AND CASH EQUIVALENTS		**106,806**	458,440
Effect of foreign exchange rate changes, net		**20,697**	(197,746)
Cash and cash equivalents at the beginning of the year		**542,298**	281,604
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**669,801**	542,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	29	**455,396**	318,598
Time deposits	29	**297,005**	223,700
Less: Pledged deposits	29	**(46,993)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position		**705,408**	542,298
Less: Time deposits with maturity of more than three months when acquired		**(35,607)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**669,801**	542,298

1. CORPORATE AND GROUP 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 3402-4, 34/F., West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, respectively.

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

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

Information about subsidiaries

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

Name of subsidiary	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Goldlink Capital Limited	British Virgin Islands ("BVI")/Hong Kong	US$100	100	–	Investment holding
湖州博臣天然氣有限公司Ω	The PRC	RMB68,000,000	–	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Ω	The PRC	RMB68,000,000	–	100	Sales and distribution of natural gas and other related products
吉林松原燃氣有限公司Ω	The PRC	RMB50,000,000	–	100	Sales and distribution of natural gas and other related products
松原市北燃藍天新能源有限公司Ω	The PRC	RMB50,000,000	–	100	Sales and distribution of natural gas and other related products
重慶賽廣博科技有限公司	The PRC	RMB10,400,000	–	51	Investment holding
山西民生天燃氣有限公司	The PRC	RMB80,000,000	–	48.45*	Sales and distribution of natural gas and other related products

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
永濟市民生天燃氣有限公司	The PRC	RMB60,000,000	–	48.45*	Sales and distribution of natural gas and other related products
安徽正威力能源有限公司[Ω]	The PRC	RMB90,000,000	–	100	Sales and distribution of natural gas and other related products
浙江博信能源有限公司[Ω]	The PRC	RMB250,000,000	–	100	Sales and distribution of natural gas and other related products
浙江博臣匯能科技有限公司 ("Zhejiang Huineng") [Ω/δ]	The PRC	RMB30,000,000	–	100	Sales and distribution of natural gas and other related products

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

δ Acquired/incorporated during the year

* These entities are accounted for as subsidiaries by virtue of the Company's control over them through non-wholly-owned subsidiaries

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

2. BASIS OF PREPARATION

2.1 These financial statements of the Group 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. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION (Continued)

2.1 (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2. BASIS OF PREPARATION (Continued)

2.2 Going concern basis

At 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately HK$2,692 million. The Group's total bank and other borrowings as at 31 December 2020 amounted to HK$3,518 million, including HK$1,953 million due for repayment in 2021 according to the repayment schedule of the respective loan agreements. In addition, HK$1,412 million of bank and other borrowings due after 2021 were classified as current liabilities as at 31 December 2020 as certain debt covenants were breached based on the financial information of the Group for the year ended 31 December 2020.

Furthermore, the trading of the shares of the Company has been suspended since 18 January 2021 and the Company was unable to submit the consolidated financial statements for the year ended 31 December 2020 by the deadlines as set out in the bank and other loans agreements. These also triggered events of default in respect of certain of the Group's bank and other borrowings and the respective amounts as at 31 December 2020 were already included in current liabilities as mentioned in the preceding paragraph.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The New Board (as defined in note 2.3 to these financial statements) has given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) In respect of the bank and other borrowings with aggregate principal amount of HK$1,594 million which were due for repayment up to the date of approval of these financial statements according to the repayment schedule of the loan agreements;

(a) Obtained new loans from three banks with an aggregate principal amount of approximately HK$625 million of which HK$31 million and HK$594 million will be due for repayment in 2021 and 2022 or thereafter, respectively, and repaid HK$274 million and HK$232 million of the bank loans and other borrowings due by the Group, respectively;

(b) Extended the repayment period of two bank loans with a principal amount of HK$250 million and HK$70 million to February 2022 and March 2022, respectively, with monthly interest payable to the related banks; and

(c) Extended the repayment period of certain bonds with an aggregate principal amount of HK$431 million to October 2021 or thereafter, with monthly interest payable to the related bond holders.

2. BASIS OF PREPARATION (Continued)

2.2 Going concern basis (Continued)

(ii) The New Board is currently in discussion with the major shareholder for assistance;

(iii) The New Board had been in negotiation with the banks and bond holders for a standstill moratorium before the resumption of trading of the Company's shares. Up to the date of approval of these financial statements, none of the banks and bond holders had demanded for immediate repayment of the amounts from the Group due to the suspension of the trading of the Company's shares or the trigger of other events of default. The New Board is also in negotiation with banks and bond holders for restructuring scheme arrangement; and

(iv) The New Board is currently taking the appropriate actions to meet the conditions for the resumption of trading of the Company's shares imposed by The Stock Exchange of Hong Kong Limited.

The New Board is of the opinion that, taking into account the possible assistance from a major shareholder, debt restructuring arrangement, the resumption of trading of the Company's shares and the existing internal financial resources 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 carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation

Background

In early January 2021, the board of directors of the Company (the "Board") suspected that Mr. Cheng Ming Kit ("Mr. Cheng"), a non-executive director and deputy chairman of the Board of the Company, had been failing to discharge his fiduciary duties as a director where he was involved in a number of suspicious transactions which might lead to substantial economic losses to the Company (the "Incident"). The duties of Mr. Cheng, as a non-executive director and deputy chairman of the Board of the Company, were then suspended from 16 January 2021 until further notice. The trading of the shares of the Company has been suspended since 18 January 2021. As disclosed in the Company's announcement dated 19 January 2021, the Beijing Municipal Public Security Bureau of the People's Republic of China had taken criminal compulsory measures against Mr. Cheng, pending investigation on certain suspected economic crime(s) relating to the business(es) of the Company.

In February 2021, the Board (excluding Mr. Cheng) (the "New Board") resolved to establish the special committee (the "Special Committee"), comprising two independent non-executive directors and an industry expert, for the purpose of, among other things, investigating into the Incident, reporting and making recommendations to the Board on appropriate actions to be taken. Thereafter, an independent forensic accountant (the "Forensic Accountant") was appointed to assist the Special Committee in conducting a forensic investigation – the 22 suspicious transactions reported by the management to the Special Committee (the "Investigation").

As disclosed in the Company's announcement dated 26 February 2021, one of the requirements in the resumption guidance is that the Company has to conduct a forensic investigation into the Incident, announce the investigation findings, assess and announce the impact to the Company's financial and operation position, and take appropriate remedial actions.

On 28 September 2021, the Forensic Accountant completed and submitted a forensic investigation report (the "Forensic Investigation Report") to the Special Committee. The Special Committee reviewed and submitted the Forensic Investigation Report, together with a report of the Special Committee to the New Board for approval on 29 September 2021 and the key findings of the Forensic Investigation Report were announced by the Company on the same date (the "Investigation Announcement").

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Summary of key findings and conclusion

According to the Investigation, the Forensic Accountant noticed that majority of the 22 suspicious transactions ("Reviewed Transactions") were carried out via merger and acquisition activities as well as investment activities, which required payments, remittances, transfers and/or loans advanced by the Group.

Based on the Forensic Investigation Report, the Forensic Accountant categorised the Reviewed Transactions as (1) equity investments, which involved the acquisitions and disposals of assets; (2) investments of funds and debt instruments; and (3) other misappropriations of assets. A summary of the key findings of each of the Reviewed Transactions are disclosed in the Investigation Announcement ("Scope of Review").

View of the Special Committee

Having considered the key findings of the Forensic Investigation Report, the Special Committee is of the view that the Reviewed Transactions were conducted during Mr. Cheng's tenure as a director of the Company, and the Incident was primarily caused by:

1. Mr. Cheng having overridden the Company's internal control and to instruct the finance personnel to make unauthorised payments;

2. Mr. Cheng having entered into different agreements with various external third parties in relation to the Incident without authorisation and approval from the Board, including the Service Agreements (as further detailed in note 2.5 to these financial statements), investments agreements and loan agreements; and

3. Mr. Cheng having purposely concealed his relationships with the counterparties (or their actual controllers), and/or provided false, misleading or otherwise incomplete information to other directors during the Board approval process in relation to the Reviewed Transactions.

In view of the above, the Special Committee is of the view that Mr. Cheng has failed to discharge his fiduciary duties as a director, in particular, he failed to (i) act honestly and in good faith in the overall interests of the Company; (ii) act for proper purpose; (iii) put the Company's assets into proper use; (iv) avoid actual and potential conflicts of interest; (v) fully and fairly declare his interests in proposed transactions or arrangements; and (vi) exercise reasonable care, skill, and diligence. Accordingly, the Special Committee is of the view that Mr. Cheng should be responsible for the losses suffered by the Group due to his dereliction of duty.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020

During the course of the preparation of the consolidated financial statements for the year ended 31 December 2020, the New Board had taken into account the findings of the Investigation, considered the relevant information and supporting evidence available and had used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The New Board considered it would be appropriate to apply certain accounting treatments in the Group's consolidated financial statements for the year ended 31 December 2020 in respect of the following matters:

2.3.1 Acquisition of subsidiaries

(a) Acquisition of the Zhejiang Bochen Group

According to the findings of the Investigation and other supporting evidence including a representation letter signed by the then ultimate owner (the "Zhejiang Bochen Original Shareholder") of 浙江博臣能源股份有限公司 (Zhejiang Bochen Energy Co., Ltd. ("Zhejiang Bochen"), in March 2021 (the "Representation Letter from the Zhejiang Bochen Original Shareholder"), the New Board noted that:

(i) In January 2016, one of the Relevant Companies (as further detailed in note 2.5 to these financial statements) which was not a group company of the Group, entered into an equity transfer agreement (the "Original Agreement") with the shareholders of Zhejiang Bochen and its subsidiaries ("Zhejiang Bochen Group") for the acquisition of the entire equity interest in Zhejiang Bochen Group for a consideration of RMB468 million (the "Original Consideration"). At the time of entering into the Original Agreement, Zhejiang Bochen was holding a number of subsidiaries and associates/joint ventures engaging in natural gas distribution and trading businesses in the People's Republic of China (the "PRC") and Zhejiang Bochen was ultimately held by the Zhejiang Bochen Original Shareholder.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(a) Acquisition of the Zhejiang Bochen Group (Continued)

(ii) Up to the date of approval of the financial statements, certain of the subsidiaries previously held by Zhejiang Bochen had been transferred to the Group through the following transactions:

– In August 2016, November 2016 and April 2019, the Group acquired certain subsidiaries that were previously held by Zhejiang Bochen through the acquisition of Diamond Maple Limited ("Diamond Maple"), Day Zone Limited ("Day Zone") and Rainbow Leap Limited ("Rainbow Leap") (collectively, the "Acquired Companies") at a cash consideration of RMB100 million, RMB125 million and RMB205 million, respectively. The aggregate consideration of the aforesaid transactions amounted to RMB430 million; and

– In June 2020, certain subsidiaries and a joint venture previously held by Zhejiang Bochen were acquired by the Group through the acquisition of Golden Scenery International Limited ("Golden Scenery") at a cash consideration of US$1.

The New Board noted that Diamond Maple, Day Zone, Rainbow Leap and Golden Scenery are part of the Relevant Companies (as further detailed in note 2.5 to these financial statements).

(iii) As at the date of approval of these financial statements, Zhejiang Bochen still holds certain subsidiaries and associates/joint ventures and 84% of the equity interest of Zhejiang Bochen is held by a company (the "Zhejiang Bochen Current Shareholder", which is one of the Relevant Companies). As represented by the Zhejiang Bochen Original Shareholder, the 16% equity interest in Zhejiang Bochen is held on behalf of the Group.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(a) Acquisition of the Zhejiang Bochen Group (Continued)

(iv) The total consideration paid by the Group for the aforesaid acquisitions amounted to RMB622 million which included the following items:

– the Original Consideration of RMB468 million and an additional amount of RMB74.88 million paid to the Zhejiang Bochen Original Shareholder or his related parties. According to the Representation Letter from the Zhejiang Bochen Original Shareholder, the RMB74.88 million represented contingent consideration for the fulfilment of a profit guarantee by Zhejiang Bochen. However, the New Board is unable to obtain a formal agreement entered into between the Group and the Zhejiang Bochen Original Shareholder in respect of the contingent consideration.

– RMB79.12 million paid to parties which were not related to the Zhejiang Bochen Original Shareholder.

The RMB622 million had been accounted for in the following accounts in the Group's consolidated financial statements as at 31 December 2020 (prior to the adjustments as described below):

– RMB497 million had been included in cost of investments of the Acquired Companies, and an aggregate amount of goodwill and intangible assets arising from the purchase price allocation of the Acquired Companies amounted to HK$572 million (2019: HK$572 million) and HK$14 million (2019: HK$18 million), respectively, as at 31 December 2020;

– RMB63 million (equivalent to HK$71 million (2019: HK$71 million)) had been included in "Deposits paid for acquisition of subsidiaries"; and

– RMB62 million (equivalent to HK$76 million (2019: HK$69 million)) had been included in goodwill on acquisition of OctoNet and August Zone Group (subsidiaries acquired by the Group in 2017 and not related to Zhejiang Bochen, details of which are disclosed in note 2.3.1(b) to these financial statements).

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(a) Acquisition of the Zhejiang Bochen Group (Continued)

According to the latest negotiation, the Zhejiang Bochen Current Shareholder and the Zhejiang Bochen Original Shareholder agreed to transfer the 84% and 16% interests in Zhejiang Bochen to the Group at nil consideration. The transfer is not yet completed as at the date of approval of the financial statements. The New Board is also in negotiation with the Zhejiang Bochen Original Shareholder for the recovery of the RMB74.88 million in respect of the contingent consideration for which no formal contract was entered into by the Group.

As there was no formal agreement entered into by the Group for the acquisition of Zhejiang Bochen Group (other than the Acquired Companies) but the Zhejiang Bochen Original Shareholder had confirmed the receipts of RMB468 million from the Group, the New Board considered that RMB468 million should have been accounted for as the acquisition cost of Zhejiang Bochen Group. Thus RMB468 million should have been allocated to each subsequent transfer of equity interest in Zhejiang Bochen and/or its subsidiaries and associate/joint ventures and accounted for based on the aforesaid allocation. Accordingly, the New Board has recalculated the purchase price allocation of the Acquired Companies based on the revised allocation. For Zhejiang Bochen and its subsidiaries and associate/joint ventures that are not yet transferred to the Group, the related allocated consideration was reclassified to deposits paid for the acquisition of subsidiaries. Based on the above calculation, the New Board has reclassified HK$317 million and HK$7 million of goodwill and intangible assets to deposits paid for the acquisition of subsidiaries as at 31 December 2020. Impairment of HK$97 million (including impairment from individual assessment of HK$50 million and provision for expected credit loss of HK$47 million) was recognised after the reallocation of consideration as the New Board estimated that the recoverable amount of the equity interests of Zhejiang Bochen and its subsidiaries and associates/joint ventures to be transferred to the Group may be less than the carrying amount of the deposits paid after the reallocation of the consideration.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(a) Acquisition of the Zhejiang Bochen Group (Continued)

Due to the uncertainty of the recoverability of RMB74.88 million paid to the Zhejiang Bochen Original Shareholder and RMB79.12 million paid to parties which were not related to the Zhejiang Bochen Original Shareholder, the New Board considered that it is unlikely to recover the aforesaid amounts and thus total impairment losses of RMB154 million (equivalent to HK$184 million) were recognised during the year, including amounts of RMB91 million (equivalent to HK$113 million) included in goodwill and RMB63 million (equivalent to HK$71 million) included in deposits paid for the acquisition of subsidiaries as at 31 December 2020.

The carrying amount of the deposits paid for the acquisition of subsidiaries as at 31 December 2020 in respect of the acquisition of Zhejiang Bochen after the aforesaid adjustments amounted to HK$226 million.

(b) Acquisition of Jilin Haoyuan

In May 2017, the Group acquired the entire equity interests in OctoNet Limited and August Zone Limited (collectively the "OctoNet and August Zone Group") for an aggregate cash consideration of RMB360 million. The OctoNet and August Zone Group hold 100% equity interest in 吉林浩源燃氣有限公司 ("Jilin Haoyuan").

According to the findings of the Investigation and other supporting evidence, the New Board noted that in addition to the cash consideration of RMB360 million paid for the acquisition, additional amounts of approximately RMB109.74 million were paid by the Group to the following parties:

(i) RMB19.74 million paid to the vendor of OctoNet Limited; and

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

***Financial impact on the consolidated financial statements for the year ended 31 December 2020* (Continued)**

***2.3.1 Acquisition of subsidiaries* (Continued)**

(b) Acquisition of Jilin Haoyuan (Continued)

(ii) RMB50 million paid to one of the Relevant Companies (as further detailed in note 2.5 to these financial statements) and RMB40 million to a suspected related company of the vendor of the Group's acquisition of the equity interests in Shanxi Minsheng and Yongji Minsheng (details of which are further disclosed in note 2.3.1(c) to these financial statements).

Both of the aforesaid payments were accounted for as a cost of acquisition of the OctoNet and August Zone Group and were reflected in goodwill in the consolidated financial statements. For the purpose of the preparation of the consolidated financial statements for the year ended 31 December 2020, impairment of goodwill of RMB109.74 million (equivalent to HK$130 million) was recognised during the year ended 31 December 2020.

In addition, as disclosed in note 2.3.1(a) to these financial statements, the goodwill on acquisition of OctoNet and August Zone Group also included RMB62 million paid by the Group in relation to the acquisition of the Zhejiang Bochen Group and the amount was also impaired during the year.

(c) Acquisition of Shanxi Minsheng and Yongji Minsheng

In October 2017, the Group acquired the entire equity interests in 100% of the issued share capital of Top Grand Global Limited, which indirectly holds 98% equity interest of Shenzhen Yuhai Energy Company Limited (深圳市裕海能源有限公司) ("Yuhai Energy"), at a cash consideration of RMB350 million. Yuhai Energy holds 51% of the indirect equity interest in Shanxi Minsheng Natural Gas Co., Ltd. (山西民生天然氣有限公司) ("Shanxi Minsheng") and Yongji Minsheng Natural Gas Co., Ltd. (永濟市民生天然氣有限公司) ("Yongji Minsheng"). The equity interests of Shanxi Minsheng and Yongji Minsheng were wholly owned by an individual third party (the "Shanxi Minsheng Original Shareholder") prior to the transaction and the Shanxi Minsheng Original Shareholder became a 49% non-controlling shareholder after the transaction.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(c) Acquisition of Shanxi Minsheng and Yongji Minsheng (Continued)

According to the findings of the Investigation and other supporting evidence, including a representation letter signed by the Shanxi Minsheng Original Shareholder (the "Representation Letter from the Shanxi Minsheng Original Shareholder") in 2021, the New Board noted that:

(i) In addition to the cash consideration of RMB350 million paid for the acquisition, additional amounts of approximately RMB163 million were paid by the Group, including (i) RMB30 million paid to the Shanxi Minsheng Original Shareholder; (ii) RMB133 million paid to parties which did not appear to be related to the Shanxi Minsheng Original Shareholder. The RMB163 million was recorded by the then management in deposits paid for the acquisition of subsidiaries and the amounts as at 31 December 2020 were in an aggregate amount of HK$194 million (2019: HK$182 million). Due to the uncertainty of the nature and recoverability of the amounts paid, the New Board recognised impairment loss of the entire amount of HK$194 million during the current year.

(ii) The New Board also noted that included in the books and records of Shanxi Minsheng at the completion of acquisition, an aggregate amount of RMB134 million was payable to certain persons and suppliers (the "Original Creditors") of Shanxi Minsheng arising from its operation and the amounts were considered by the then management as part of the purchase price allocation of the acquisition of Yuhai Energy. The New Board noted that after the completion of the acquisition of Shanxi Minsheng (through the acquisition of Yuhai Energy) by the Group, the Group paid, through Shanxi Minsheng, an aggregate amount of RMB134 million to a person (the "Person") who did not appear to have a business relationship with the Group. The New Board noted that prior to the payment to the Person, certain current account offsetting agreements were entered into between Shanxi Minsheng, the Person and the Original Creditors and the amounts became payable by the Group to the Person (the "Offsetting Arrangements") prior to the payment made by Shanxi Minsheng to the Person. However, the New Board could only obtain the account offsetting agreements for certain of the amount being setoff.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

***Financial impact on the consolidated financial statements for the year ended 31 December 2020* (Continued)**

***2.3.1 Acquisition of subsidiaries* (Continued)**

(c) Acquisition of Shanxi Minsheng and Yongji Minsheng (Continued)

(ii) (Continued)

In August 2021, the New Board reached an agreement with certain parties, including the buyer (the "Buyer") of the Group's printing business in prior years who is suspected to be related to the Person, pursuant to which (i) the Buyer confirmed that HK$65 million was still owed by the Buyer to the Group in respect of the acquisition of the Group's printing business by the Buyer in prior years; (ii) the Buyer agreed to settle HK$12 million to the Group within 2 days of the date of entering into the agreement and HK$10 million, HK$20 million, HK$10 million and HK$13 million will be settled by the Buyer to the Group on or before 15 December 2021, 31 December 2021, 31 March 2022 and 30 September 2022, respectively; and (iii) five other parties agreed to pledge certain properties for the amount receivable from the Buyer. Up to the date of approval of the consolidated financial statements, HK$12 million was settled by the Buyer to the Group according to the terms of the agreement.

The New Board recognised HK$65 million as other receivable as at 31 December 2020 and the same amount was credited to profit or loss during the year.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.1 Acquisition of subsidiaries **(Continued)**

(c) Acquisition of Shanxi Minsheng and Yongji Minsheng (Continued)

(iii) According to the investment intention agreement and a supplementary agreement (collectively the "Investment Intention Agreements") entered into between the Group and the Shanxi Minsheng Original Shareholder in November 2019, the Group intended to further acquire a 39% of equity interest in Shanxi Minsheng and Yongji Minsheng from the Shanxi Minsheng Original Shareholder. Pursuant to the terms of the investment intention agreement, among others: (i) the Group agreed to pay RMB50 million of cash to the Shanxi Minsheng Original Shareholder as investment deposits for such acquisition; (ii) RMB30 million of the amount will be refunded to the Group if the acquisition is not completed within 9 months of the date of entering of the Investment Intention Agreements; and (iii) the amounts will not be refunded to the Group if the acquisition is not completed within 14 months of the date of entering of Investment Intention Agreements. The carrying amount included in deposits paid for the acquisition of subsidiaries as at 31 December 2020 amounted to HK$60 million (2019: HK$33 million) (before provision of expected credit loss).

The acquisition transaction is not completed as at the date of approval of the financial statements but despite that the refund period of the deposits paid was already expired in February 2021 according to Investment Intention Agreements, the New Board is currently in negotiation with the Shanxi Minsheng Original Shareholder for the acquisition and the New Board is of the view that such acquisition will be completed before the end of 2021. Accordingly, the deposits paid will be allocated to investment costs of the acquisition and the New Board only recognised expected credit loss of HK$10 million during the year. The carrying amount of the deposits paid as at 31 December 2020 amounted to HK$50 million (after provision for expected credit loss).

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

Financial impact on the consolidated financial statements for the year ended 31 December 2020 **(Continued)**

2.3.2 Deposits paid for acquisition of subsidiaries

The Scope of Review includes certain payments made by the Group for potential acquisition of subsidiaries in prior years with an aggregate amount of HK$624 million (2019: HK$539 million) as at 31 December 2020 (prior to the reallocation of investment costs in respect of the acquisition of the Zhejiang Bochen Group as disclosed in note 2.3.1(a) to these financial statements and the adjustments as described below). According to the findings of the Investigation and other supporting evidence, the New Board noted that:

(i) Carrying amount of HK$71 million (2019: HK$71 million) as at 31 December 2020 (prior to the reallocation of investments as disclosed in note 2.3.1(a) above) was related to the acquisition of the Zhejiang Bochen Group, details of which are disclosed in note 2.3.1(a) to these financial statements;

(ii) Carrying amounts of HK$253 million (2019: HK$215 million) were related to the acquisition of the equity interests in Shanxi Minsheng and Yongji Minsheng, details of which are disclosed in note 2.3.1(c) to these financial statements;

(iii) The remaining amounts of HK$300 million (2019: HK$253 million) relate to projects in which part of the payments were made to parties which were not the transacting/contracting parties or did not appear to be related to the transacting/contracting parties. The New Board considered that the acquisitions of the related projects will not proceed and the amounts paid are unlikely to be recovered by the Group. Thus, the New Board recognised impairment losses on the aforesaid amounts during the year.

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

***Financial impact on the consolidated financial statements for the year ended 31 December 2020* (Continued)**

2.3.3 Investments in associates

The Scope of Review includes two investments in associates acquired by the Group in prior years with an aggregate carrying amount of HK$119 million (2019: HK$123 million) as at 31 December 2020 (prior to the adjustments as described below). According to the findings of the Investigation and other supporting evidence, the New Board noted that:

(i) Consideration was paid by the Group to parties which were not the transacting/contracting parties or did not appear to be related to the transacting/contracting parties; and

(ii) The equity interest of one of the investees was never transferred to the Group and the investee is currently under liquidation as at the date of approval of the financial statements. The other associate that had been transferred to the Group had been underperforming and was in a net liabilities position as at 31 December 2020.

In view of the above, full impairment/write-off of HK$119 million on the aforesaid investments was recognised in the current year.

2.3.4 Other investments

The Scope of Review includes certain funds, trusts, convertible bonds and private company shares invested by the Group in prior years. The investments were classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other receivables with carrying amounts of HK$224 million (2019: HK$214 million), HK$102 million (2019: HK$101 million) and HK$33 million (2019: HK$31 million) as at 31 December 2020, respectively (prior to adjustments as described below). According to the findings of the Investigation and other supporting evidence, the New Board noted that:

(i) Consideration for such investments was paid to parties which were not the transacting/contracting parties or did not appear to be related to the transacting/contracting parties;

(ii) For the funds, trusts and private company shares, there is no evidence of their existence or the Group’s ownership in such investments; and

2. BASIS OF PREPARATION (Continued)

2.3 The Investigation (Continued)

***Financial impact on the consolidated financial statements for the year ended 31 December 2020* (Continued)**

2.3.4 *Other investments* (Continued)

(iii) For the convertible bonds, the New Board noted that the issuer, which is a listed company in Hong Kong, is currently under liquidation and it is unlikely for the Group to recover the amount invested.

In view of the above, full impairment/write-off of HK$224 million and HK$33 million on a financial asset at fair value through profit or loss and other receivables were recognised in profit or loss in the current year, respectively, and write-off of HK$102 million on financial assets at fair value through other comprehensive income was recognised in other comprehensive income in the current year.

2.3.5 Advances of loans and other receivables

The Scope of Review includes certain advances of loans by the Group to certain parties in prior years. The amounts were included in other receivables with an aggregate carrying amount of HK$315 million (2019: HK$294 million) as at 31 December 2020. According to the findings of the Investigation and other supporting evidence, the New Board noted that the amounts were advanced to business partners for potential projects identified by the then management, but certain amounts were paid to parties which were not the transacting/contracting parties or did not appear to be related to the transacting/contracting parties.

The New Board considered that the related projects will not proceed and according to the negotiation with certain of the counter parties, only HK$18 million can be recovered by the Group. Thus impairment losses on the remaining amounts of HK$297 million were recognised during the year.

The Scope of Review also included certain amounts paid to individuals and companies without proper business reasons. The New Board is of the view that the amounts are unlikely to be fully recovered by the Group and impairment losses of HK$40 million were recognised during the year.

2. BASIS OF PREPARATION (Continued)

2.4 Reassessment of impairment of assets and transactions not covered by the Investigation

In addition to the impairment of assets and adjustments as disclosed in note 2.3 to these financial statements, the New Board also reassessed the impairment of the remaining assets of the Group and the accounting treatment of certain other transactions occurred in prior years, details of which are disclosed below:

2.4.1 Impairment of goodwill, intangible assets, property, plant and equipment and right-of-use assets (land use rights)

Based on the results of the impairment tests performed by the New Board on the Group's goodwill, intangible assets, property, plant and equipment and right-of-use assets (land use rights) as at 31 December 2020, the New Board concluded that impairment losses of HK$627 million, HK$660 million, HK$159 million and HK$9 million on the aforesaid assets are necessary and the amounts have been recognised in profit or loss during the year.

2.4.2 Impairment of deposits paid for acquisition of subsidiaries

In addition to the impairment of the deposits paid for acquisition of subsidiaries relating to the transactions within the Scope of Review as disclosed in note 2.3.2 to these financial statements, the New Board is of the view that certain other acquisitions are unlikely to proceed and the Group is unlikely to recover the amounts paid and accordingly, impairment losses of HK$100 million were recognised during the year. Included in the impairment losses was an amount of HK$77 million paid by the Group for the acquisition of 唐山華普燃氣有限公司 (Tangshan Huapu Gas Co., Ltd., "Tangshan Huapu"), details of which are set out below:

The New Board noted that in 2018, one of the Relevant Companies (as further detailed in note 2.5 to these financial statements) ("Hill Hero") entered into an equity transfer agreement (the "Tangshan Huapu Agreement") with the then sole shareholder (the "Tangshan Huapu Original Shareholder") of Tangshan Huapu for the transfer of 51% of equity interest of Tangshan Huapu to Hill Hero. During the same year, the 51% equity interest in Tangshan Huapu was transferred from the Tangshan Huapu Original Shareholder to another company ("Shenzhen Hanlong", a wholly-owned subsidiary of Hill Hero and also one of the Relevant Companies). The New Board noted that 51% and 49% of the equity interest in Tangshan Huapu are held by Shenzhen Hanlong and the Tangshan Huapu Original Shareholder, respectively, as at 31 December 2020 and up to the date of approval of the financial statements.

2. BASIS OF PREPARATION (Continued)

2.4 Reassessment of impairment of assets and transactions not covered by the Investigation (Continued)

2.4.2 Impairment of deposits paid for acquisition of subsidiaries (Continued)

In November 2019, an investment intention agreement was entered into between the Company and Shenzhen Hanlong for the transfer of the 51% of equity interest of Tangshan Huapu and the Group agreed to pay RMB127 million to Shenzhen Hanlong as earnest money. However, the New Board noted that the amounts paid by the Group up to 31 December 2020 were more than the aforesaid RMB127 million and the amounts included in deposits paid for the acquisition of equity interest in Tangshan Huapu in the Group's books and records amounted to HK$163 million (2019: HK$146 million) (before impairment adjustment).

The Tangshan Huapu Original Shareholder represented to the New Board that he only received RMB86.7 million (equivalent HK$103 million as at 31 December 2020) from the Group in respect of the acquisition of 51% equity interest in Tangshan Huapu. The New Board also understood from the Tangshan Huapu Original Shareholder that the transaction with Hill Hero was not yet completed as the agreed consideration according to Tangshan Huapu Agreement had not been fully settled by Hill Hero. Thus the Tangshan Huapu Original Shareholder is unwilling to hand over the management right of Tangshan Huapu to Hill Hero and Shenzhen Hanlong.

According to a memo entered between the Group, the Tangshan Huapu Original Shareholder, Hill Hero and Shenzhen Hanlong in August 2021, it was agreed that (i) the Group will replace Hill Hero as the acquirer of the 51% of Tangshan Huapu; (ii) the Group and the Tangshan Huapu Original Shareholder will continue to negotiate the final consideration to be payable by the Group to the Tangshan Huapu Original Shareholder; and (iii) Hill Hero and Shenzhen Hanlong shall cooperate with the Group and the Tangshan Huapu Original Shareholder for the transfer of equity interest of Tangshan Huapu. The New Board is currently performing due diligence work on Tangshan Huapu.

The New Board is of the view that the amounts that were not received by the Tangshan Huapu Original Shareholder is unlikely to be fully recovered by the Group and an impairment loss of HK$77 million (including impairment of HK$60 million and provision for expected credit loss of HK$17 million) on the amounts was recognised during the year. The carrying amount of the deposits paid as at 31 December 2020 amounted to HK$86 million (after impairment adjustments).

2. BASIS OF PREPARATION (Continued)

2.4 Reassessment of impairment of assets and transactions not covered by the Investigation (Continued)

2.4.3 Impairment of investments in associates and joint ventures

In addition to the impairment/write-off of associates relating to the transactions within the Scope of Review of the Investigation as disclosed in note 2.3.3 to these financial statements, the New Board noted that certain of the Group's associates and joint ventures had been loss-making for some time but impairment losses were not recognised in prior years. Based on the impairment assessment performed by the New Board, impairment losses of HK$219 million were recognised during the year.

2.4.4 Impairment of trade and other receivables

In addition to the advances of loans and other receivables within the Scope of Review as disclosed in note 2.3.4 to these financial statements, the New Board also reassessed the impairment of the Group's trade and other receivables (other than expected credit losses). As a result of the reassessment, impairment losses (other than expected credit losses) of HK$142 million and HK$240 million were recognised during the year.

2.4.5 Provision for expected credit losses

During the year, the New Board reassessed the amount of provision for expected credit losses of the Group's financial assets in addition to the individual assessment as disclosed in note 2.4.4 to these financial statements. As a result of the reassessment, provision for expected credit losses of HK$76 million, HK$49 million and HK$29 million were recognised on the Group's deposits paid for acquisition of subsidiaries, trade receivables and other receivables, respectively during the year.

2.4.6 Provision/write-off for inventories

During the year, the New Board reassessed the existence of the Group's inventories and as a result of the reassessment, provision for inventories of HK$60 million were recognised during the year.

2.4.7 Accounting treatment on sales and leaseback arrangements

In 2019, the Group entered into two sales and leaseback agreements with a financial institution (the "Lender"). According to the agreements, the Group agreed to sell certain of the Group's gas pipelines to the Lender and the Lender agreed to lease back the assets to the Group for a period of 5 years. At the end of the leases, the Group has the option to acquire the assets at RMB25. At 31 December 2019, the carrying amount of the gas pipelines of HK$159 million was reallocated to right-of-use assets and the amount due to the Lender of HK$142 million was classified as lease liabilities.

2. BASIS OF PREPARATION (Continued)

2.4 Reassessment of impairment of assets and transactions not covered by the Investigation (Continued)

2.4.7 Accounting treatment on sales and leaseback arrangements (Continued)

The New Board reassessed the accounting treatment and is of the view that the Group is in fact having control over the gas pipelines as the Group has the option to acquire the assets at nominal consideration at the end of the lease period. Thus the transfer of the gas pipelines to the Lender does not satisfy the requirement of IFRS 15 to be accounted for as a sale of assets and the Group shall continue to recognise the transferred asset as property, plant and equipment and shall recognise transfer proceeds from the Lender as other loan. Accordingly, the Group revised the accounting treatment and classified the carrying amount of the gas pipelines of HK$159 million to property, plant and equipment and the amount due to the Lender of HK$142 million as other loans during the year and no prior year adjustments were made.

2.5 Service agreements executed by Mr. Cheng and the related Relevant Companies (as defined below)

2.5.1 The New Board noted that the Company entered into service agreements (the "Service Agreements") with certain third parties (the "Nominees") pursuant to which the Nominees agree to hold an equity interest in certain companies on behalf of the Company (the "Relevant Companies"). It is noted that most of these Service Agreements are either signed by Mr. Cheng in his own capacity or by Mr. Cheng for and on behalf of the Company.

After discovering the existence of these Service Agreements, the Company conducted a detailed review on such agreements and categorised the Relevant Companies into the following three categories, namely, (i) companies which have become subsidiaries or associates of the Company upon completion of the relevant acquisition; (ii) companies to be acquired by the Group; or (iii) companies which have no business relationship with the Group and are not subsidiaries, associates or joint ventures of the Company. The New Board categorically denies the validity of these Service Agreements.

The companies to be acquired by the Group as mentioned in (ii) above included, among others, Zhejiang Bochen and Tangshan Huapu (details of which are disclosed in notes 2.3.1(a) and 2.4.2 above, respectively).

2. BASIS OF PREPARATION (Continued)

2.5 Service agreements executed by Mr. Cheng and the related Relevant Companies (as defined below) (Continued)

2.5.2 In preparing the Group's consolidated financial statements for the year ended 31 December 2020, the New Board has taken into consideration the following matters relating to the Relevant Companies:

(a) the Relevant Companies which are not yet acquired by the Group were not consolidated or equity accounted by the Company as the Group had no control or significant influence over these companies;

(b) For investments that were acquired by the Group with the involvement of the Relevant Companies:

(i) the New Board reassessed the legal ownership of the acquired subsidiaries and confirmed that all companies within the scope of the Group's consolidation are legally owned by the Group as at 31 December 2020 and up to the date of approval of the financial statements;

(ii) the New Board considered the investment costs incurred for each of the acquisition should be accounted for based on the agreed consideration as stipulated in the equity transfer agreements entered into between the Group and the counter parties. Any amounts paid in excess of the agreed consideration (if any) were written off/impaired, except for the amounts that will be repaid by the counter parties. Goodwill and intangible assets arising from acquisition of subsidiaries is adjusted based on the revised investment costs (if any) and impairment is tested on the adjusted goodwill and intangible assets.

(iii) For investments in associates, joint ventures and other investments acquired by the Group with the involvement of the Relevant Companies, the New Board reassessed the legal ownership. For the investments that are not legally owned by the Group as at 31 December 2020, the carrying amounts have been written off.

The impairment losses recognised by the Group during the year ended 31 December 2020 as a result of the above assessment were included in the impairment losses as disclosed in notes 2.3 and 2.4 above.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting* revised in 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting* and revised IFRSs are described below:

Conceptual Framework for Financial Reporting

Conceptual Framework for Financial Reporting revised in March 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IFRS 3 *Definition of a Business*

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group upon initial adoption.

Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendments to IAS 1 and IAS 8 *Definition of Material*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[7]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[6]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition on Accounting Estimates*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 *Effective for annual periods beginning on or after 1 January 2021*
2 *Effective for annual periods beginning on or after 1 January 2022*
3 *Effective for annual periods beginning on or after 1 January 2023*
4 *No mandatory effective date yet determined but available for adoption*
5 *As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*
6 *Effective for annual periods beginning on or after 1 April 2021*
7 *Effective for annual periods beginning on or after 1 June 2020*

Further information about those IFRSs that are expected to have an impact on the Group upon adoption is described below. Whilst management has performed an assessment of the estimated impacts of these revised or new standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* (Continued)

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

- IAS 41 *Agriculture*: removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

Related parties

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

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

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	15 years
Plant and machinery – natural gas business	10 years
Gas pipelines	Over the shorter of 30 years or operation period of the relevant entity
Furniture, fixtures and office equipment	5 years
Motor vehicles	3 to 5 years
Leasehold improvements	Over the shorter of term of the lease or 5 years

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office premises	Over the term of lease of 2 to 20 years
Prepaid land lease payments	Over the term of lease of 2 to 50 years

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

(b) Lease liabilities

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee **(Continued)**

(b) ***Lease liabilities*** **(Continued)**

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investment properties

Investment properties are interests in properties transferred by property developers for settlement of gas connection service fees and are currently held by the Group with undetermined future use.

Such properties are measured initially at cost. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and any accumulated impairment losses. They are depreciated using the straight-line method over their estimated useful life of 20 years. Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

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

Operating rights

Operating rights represent the rights to operate city gas business, and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating rights granted to the Group of 10 to 30 years.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, deferred tax assets, financial assets and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

(a) General approach

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(a) *General approach* (Continued)

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

(b) Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as payables, loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank and other borrowings, convertible bonds and lease liabilities.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement **(Continued)**

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised as conversion option derivative. At that date of issue, the derivative component is also recognised at fair value. In subsequent periods, the derivative is measured at fair value with changes in fair value recognised in profit or loss. Transaction costs are apportioned between the liability and conversion option of the convertible bonds based on the allocation of proceeds to the liability and conversion option when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value measurement

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash and cash equivalents

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

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

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

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

When the Group provides more than one service in a service concession arrangement, the transaction price will be allocated to each performance obligation by reference to their relative stand-alone selling prices. If the standalone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(a) Pipeline construction services

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

(b) Operation of natural gas refueling station

The Group recognises revenue from natural gas refueling station services at the point in time when control of the goods is transferred to the customer, generally on delivery of the natural gas.

(c) City gas operation

Revenue from the sales of city gas is recognised at the point in time when the gas is consumed by the customer, based on gas consumption derived from meter readings.

Revenue from the sale of gas-related equipment and value-added service is recognised at the point in time when control of the goods or service is transferred to the customer, generally on delivery of the gas-related equipment and value-added service.

(d) Trading and distribution of natural gas and direct supply to industrial users

Revenue from the trading and distribution of natural gas and direct supply to industrial users is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the natural gas.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Principal versus agent

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

Other income

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

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

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

Equity compensation benefits

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity compensation benefits (Continued)

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Provisions

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation/amortisation charge.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Impairment of goodwill and operating rights

The Group determines whether goodwill is impaired at least on an annual basis. The Group performs impairment test on operating rights when there is an indicator of impairment. The tests require an estimation of the recoverable amount of the relevant business units to which the goodwill and operating rights are allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and operating rights as at 31 December 2020 was HK$257,447,000 (2019: HK$1,475,408,000) and HK$422,744,000 (2019: HK$1,162,748,000), respectively, details of which are set out in notes 17 and 16 to the financial statements, respectively.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Provision of ECL for trade receivables, contract assets, deposits paid for acquisition of subsidiaries and other receivables

The policy for provision for expected credit losses on trade receivables, contract assets, deposits paid for acquisition of subsidiaries and other receivables of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of trade receivables, contract assets, deposits paid for acquisition of subsidiaries and other receivables other than prepayments carried as assets in the consolidated statement of financial position as at 31 December 2020 were HK$249,347,000 (2019: HK$360,902,000), HK$52,557,000 (2019: HK$46,606,000), HK$435,272,000 (2019: HK$772,178,000) and HK$296,743,000 (2019: HK$613,428,000), respectively, further details of which are set out in notes 24, 25, 21 and 26 to the financial statements.

Impairment assessment of investments in associates and joint ventures

Management determines whether investments in associates and joint ventures have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units ("CGUs") and calculations of which involve the use of estimates. The carrying amount of investments in associates and joint ventures as at 31 December 2020 were HK$1,852,051,000 (2019: HK$1,771,318,000) and HK$189,618,000 (2019: HK$360,346,000), respectively, details of which are set out in notes 19 and 20 to the financial statements, respectively.

Revenue from contracts with customers-principal versus agent considerations

The Group applies judgements in determining its role as facilitating upstream LNG suppliers to sell LNG to downstream customers. The Group concluded that the Group acts as an agent for certain of the trading transactions. In this regard, when the Group satisfies the performance obligation, the Group recognises trading revenue in the net amount of consideration for certain of the trading transactions.

5. OPERATING SEGMENT INFORMATION

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

1. City gas, pipeline construction, value-added service and others – sale of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service such as repair and maintenance service, pipeline construction services and others, such as transportation income. Share of result of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment

2. Direct supply to industrial users – direct LNG supply to industrial users through direct supply facilities

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

4. Natural gas refueling station – operation of CNG and LNG refueling stations for vehicles

The Group has changed its structure of internal organisation during the year in a manner that causes the "Direct supply to industrial users" as a reportable segment because of its increased significance which was previously included in the "City gas, pipeline construction, value-added services and others" segment in the prior year's financial statements. The corresponding information for the year ended 31 December 2019 in this note has been restated to conform with the current year's presentation and change in management structure.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the year attributable to shareholders of the Company. The profit/(loss) for the year attributable to shareholders of the Company is measured consistently with the Group's profit/(loss) attributable to shareholders of the Company except that interest income on loans to joint ventures, interest income from joint venture partners, finance costs, share of profits of certain joint ventures and associates, as well as head office and corporate income and expenses are excluded from such measurement.

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

5. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Year ended 31 December 2020

	Natural gas refueling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	Direct supply to industrial users *HK$'000*	City gas, pipeline construction, value-added service and others *HK$'000*	Total *HK$'000*
External segment revenue	59,654	402,311	361,663	639,474	1,463,102
Segment loss	(475,621)	(282,613)	(196,503)	(1,941,787)	(2,896,524)
Unallocated other income and other gains and losses					34,840
Unallocated central corporate expenses					(221,189)
Finance costs					(195,462)
Impairment/write-off of unallocated assets					(638,893)
Loss before tax					(3,917,228)

5. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2019 (restated)

	Natural gas refueling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	Direct supply to industrial users *HK$'000*	City gas, pipeline construction, value-added service and others *HK$'000*	Total *HK$'000*
External segment revenue	153,871	1,527,105	430,137	565,016	2,676,129
Segment profit	7,013	17,873	39,822	428,092	492,800
Unallocated other income and other gains and losses					65,407
Central corporate expenses					(217,007)
Finance costs					(244,162)
Profit before tax					97,038

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

5. OPERATING SEGMENT INFORMATION (Continued)

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

Segment assets and liabilities

Segment assets

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**153,456**	905,339
Trading and distribution of natural gas	**266,098**	139,198
Direct supply to industrial users	**369,306**	2,399,691
City gas, pipeline construction, value-added service and others	**3,670,526**	3,892,766
Total segment assets	**4,459,386**	7,336,994
Property, plant and equipment for corporate use	**897**	4,572
Right-of-use assets for corporate use	**4,370**	11,436
Prepayments	**802**	6,722
Equity investments at fair value through other comprehensive income	**696**	119,662
Financial assets at fair value through profit or loss	**7,088**	220,234
Cash and bank balances (including pledged deposits)	**752,401**	542,298
Other unallocated assets	**247,651**	415,418
Consolidated assets	**5,473,291**	8,657,336

5. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**7,307**	50,688
Trading and distribution of natural gas	**244,929**	15,606
Direct supply to industrial users	**117,756**	484,155
City gas, pipeline construction, value-added service and others	**705,039**	651,741
Total segment liabilities	**1,075,031**	1,202,190
Bank and other borrowings	**3,518,449**	2,485,921
Unallocated lease liabilities	**4,638**	11,753
Convertible bonds	**–**	373,412
Other unallocated liabilities	**65,012**	12,983
Consolidated liabilities	**4,663,130**	4,086,259

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, equity investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, cash and bank balances (including pledged deposits), and other unallocated assets not attributable to the segments); and

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, unallocated lease liabilities, convertible bonds, and other unallocated liabilities not attributable to the segments).

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

5. OPERATING SEGMENT INFORMATION (Continued)

Other segment information

31 December 2020	Natural gas refuelling station HK$'000	Trading and distribution of natural gas HK$'000	Direct supply to industrial users HK$'000	City gas, pipeline construction, value-added service and others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Addition to non-current assets (excluding goodwill) (note (a))	685	–	12,154	45,639	110,948	169,426
Depreciation of property, plant and equipment	1,151	–	8,342	57,939	4,130	71,562
Depreciation of right-of-use assets	2,404	–	–	8,731	7,358	18,493
Amortisation of intangible assets	4,100	–	3,522	64,448	–	72,070
Interests in associates	32,552	–	–	1,819,499	–	1,852,051
Interests in joint ventures	–	–	–	189,618	–	189,618
Share of profits/(losses) of associates	(2,164)	–	–	322,596	–	320,432
Share of losses of joint ventures	–	–	–	(11,767)	–	(11,767)
Impairment/write-off of segment assets (note (b))	564,348	835,156	105,516	1,742,346	638,893	3,886,259
31 December 2019						
Addition to non-current assets (excluding goodwill)	38,076	2,166	7,768	379,128	43,060	470,198
Addition to goodwill	–	4,973	–	330,704	–	335,677
Depreciation of property, plant and equipment	4,576	158	4,499	38,415	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 profits/(losses) of associates	(1,532)	–	–	307,244	–	305,712
Share of profits of joint ventures	–	–	–	1,575	–	1,575
Reversal of/(provision for) impairment losses on assets	1,639	(18,097)	–	23,785	(1,578)	5,749

Notes:

(a) The amount consists of additions to property, plant and equipment, right-of-use assets and deposits paid for acquisition of subsidiaries.

(b) These amounts are recognised in profit or loss and included impairment/write-off against goodwill, property, plant and equipment, right-of-use assets, intangible assets, investments in associates, investments in joint ventures, deposits paid for acquisition of subsidiaries, deposits for acquisition of property, plant and equipment, amounts due from associates, financial assets at fair value through profit or loss, inventories, trade receivables and prepayments, deposits and other receivables.

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in the PRC.

No geographical information is presented as more than 90% of the revenue during each of the years ended 31 December 2020 and 2019 were derived from the PRC.

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

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue during the years ended 31 December 2020 and 2019.

6. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**59,654**	153,871
Trading and distribution of natural gas	**402,311**	1,527,105
Direct supply to industrial users	**361,663**	430,137
City gas, pipeline construction, value-added service and others	**639,474**	565,016
	1,463,102	2,676,129

6. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Types of sale channels and nature of goods and services rendered		
Natural gas refuelling station		
Liquefied natural gas ("LNG")	**27,315**	75,883
Compressed natural gas ("CNG")	**32,339**	77,988
	59,654	153,871
Trading and distribution of natural gas		
LNG	**394,525**	1,349,855
CNG	**696**	14,903
Fuel oil and other related oil by-products	**7,090**	162,347
	402,311	1,527,105
Direct supply to industrial users		
LNG	**361,663**	426,573
Other related products	**–**	3,564
	361,663	430,137
City gas, pipeline construction fee, value-added service and others		
LNG	**–**	829
CNG	**477,979**	412,976
Pipeline construction fee	**122,708**	68,283
Other related products	**38,787**	82,928
	639,474	565,016
	1,463,102	2,676,129

6. 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	Direct supply to industrial users HK$'000	City gas, pipeline construction, value-added service and others HK$'000	Total HK$'000
Year ended 31 December 2020					
Timing of revenue recognition					
At a point in time	59,654	402,311	361,663	516,766	1,340,394
Over time	–	–	–	122,708	122,708
	59,654	402,311	361,663	639,474	1,463,102
Year ended 31 December 2019					
Timing of revenue recognition					
At a point in time	153,871	1,527,105	430,137	496,733	2,607,846
Over time	–	–	–	68,283	68,283
	153,871	1,527,105	430,137	565,016	2,676,129

All the revenue from customers are derived from the Mainland China for the years ended 31 December 2020 and 2019.

(b) Performance obligations for contract with customers

Natural gas refuelling station/trading and distribution of natural gas/direct supply to industrial users

For CNG and LNG refuelling stations for vehicles, trading and distribution of CNG and LNG and direct supply to industrial users as a wholesaler 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 has 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 card, the Group grants a normal credit term of 30 days upon the issue of monthly statement of the oil card.

6. REVENUE (Continued)

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

City gas, pipeline construction, 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, 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 exceeds 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.

7. OTHER INCOME AND GAINS, NET

	2020 HK$'000	2019 HK$'000
Other income		
Interest income	**7,144**	33,226
Rental income	**437**	406
Gas appliances income	**2,342**	8,197
Government subsidies and grants	**3,749**	100,227
Sundry income	**20,043**	4,297
	33,715	146,353
Gains, net		
Changes in fair value of embedded derivatives at fair value through profit or loss	**–**	6,003
Changes in fair value of financial assets at fair value through profit or loss	**889**	1,869
Foreign exchange difference, net	**236**	11,409
	1,125	19,281
Other income and gains, net	**34,840**	165,634

8. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Cost of inventories sold		**1,147,854**	2,310,587
Depreciation of property, plant and equipment	14	**71,562**	48,360
Depreciation of right-of-use assets	15(a)	**18,474**	19,059
Amortisation of intangible assets*	16	**72,070**	71,873
Lease payments not included in the measurement of lease liabilities	15(c)	**1,645**	1,046
Auditor's remuneration		**5,800**	2,400
Employee benefit expenses (including directors' emoluments):			
Salaries, bonuses and other benefits		**104,652**	99,794
Contribution to defined contribution plans		**31,680**	17,278
Share-based payment (included in "Administrative expenses")		**–**	528
		136,332	117,600

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

	Notes	**2020** **HK$'000**	2019 HK$'000
Impairment of goodwill@	17	**869,627**	–
Impairment of property, plant and equipment@	14	**158,983**	–
Impairment of right-of-use assets@	15(a)	**9,046**	–
Impairment of intangible assets@	16	**660,499**	–
Impairment of investments in associates@	19(d), (e)	**159,899**	–
Impairment of investments in joint ventures@	20(d)	**177,750**	–
Impairment of deposits paid for acquisition of subsidiaries#	21	**772,033**	–
Impairment of deposits for acquisition of property, plant and equipment#	22	**49,598**	–
Write-off of financial assets at FVTPL&	28	**223,572**	–
Write-off of inventories&	23	**59,809**	–
Impairment of amounts due from associates#	19(b)	**30,809**	–
Impairment/(reversal of impairment) of trade receivables#	24(b)	**135,864**	(22,256)
Impairment of prepayments, deposit and other receivables#	26(d)	**578,806**	16,507
Income from recovery of assets^&		**(65,000)**	–

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

\# Impairment of financial assets for the year is included in "(Provision for)/reversal of impairment losses on financial assets, net" in profit or loss.

@ Impairment of other assets for the year is included in "Impairment losses on other assets" in profit or loss.

& These items are included in "Other expenses, net" in profit or loss.

^ Details of which are included in note 2.3.1(c) to these financial statements.

9. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Finance charges on lease liabilities	**858**	13,454
Interest on bank borrowings	**86,195**	19,433
Interest on other borrowings	**74,739**	64,206
Interest on convertible bonds	**33,670**	147,069
	195,462	244,162

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

	Group	
	2020	2019
	HK$'000	*HK$'000*
Fees	**789**	739
Other emoluments:		
Salaries and allowances	**5,494**	4,524
Discretionary bonuses	**1,456**	2,107
Contribution to defined contribution plans	**510**	192
	7,460	6,823
	8,249	7,562

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

(a) Directors' remuneration (Continued)

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

Year ended 31 December 2020	Fee *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonuses *HK$'000*	Contribution to defined contribution plans *HK$'000*	Total *HK$'000*
Executive directors					
Mr. Li Weiqi[6]	–	502	–	93	595
Mr. Jin Qiang	–	810	–	176	986
Ms. Yang Fuyan[1]	–	402	–	129	531
Mr. Ye Hongjun[1]	–	473	–	83	556
Mr. Hung Tao[3]	–	987	106	11	1,104
	–	3,174	106	492	3,772
Non-executive directors					
Mr. Zhi Xiaoye	–	–	–	–	–
Mr. Cheng Ming Kit[8]	–	2,320	1,350	18	3,688
	–	2,320	1,350	18	3,688
Independent non-executive directors					
Mr. Lim Siang Kai	283	–	–	–	283
Mr. Ma Arthur On-hing	120	–	–	–	120
Mr. Wee Piew	207	–	–	–	207
Mr. Cui Yulei[2]	58	–	–	–	58
Ms. Hsu Wai Man Helen[2]	58	–	–	–	58
Mr. Pang Siu Yin[5]	63	–	–	–	63
	789	–	–	–	789
	789	5,494	1,456	510	8,249

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

(a) Directors' remuneration (Continued)

Notes:

(1) Ms. Yang Fuyan and Mr. Ye Hongjun were appointed as executive directors of the Company with effect from 6 July 2020, respectively.

(2) Mr. Cui Yulei and Ms. Hsu Wai Man Helen were appointed as independent non-executive directors of the Company with effect from 6 July 2020.

(3) Mr. Hung Tao resigned as executive director of the Company with effect from 6 July 2020.

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

(5) Mr. Pang Siu Yin resigned as an independent non-executive director of the Company with effect from 6 July 2020.

(6) Mr. Li Weiqi resigned as an executive director of the Company with effect from 27 September 2019, and was re-appointed as an executive director of the Company with effect from 6 July 2020.

(7) Other than Messrs. Zhi Xiaoye and Sze Chun Lee who waived their remuneration from the Company for each of the years ended 31 December 2020 and 2019, there was no agreement under which a director waived or agreed to waive any remuneration during these years.

(8) The board of directors has resolved to suspend Mr. Cheng Ming Kit's duties and powers as a non-executive director and deputy chairman of the Company with effect from 16 January 2021 until further notice.

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

(a) Directors' remuneration (Continued)

Year ended 31 December 2019	Fee *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonuses *HK$'000*	Contribution to defined contribution plans *HK$'000*	Total *HK$'000*
Executive directors					
Mr. Cheng Ming Kit	–	2,982	2,037	18	5,037
Mr. Hung Tao	–	822	70	18	910
Mr. Jin Qiang	–	186	–	40	226
Mr. Li Weiqi	–	534	–	116	650
Mr. Sze Chun Lee(4)	–	–	–	–	–
	–	4,524	2,107	192	6,823
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	–	–	–	739
	739	4,524	2,107	192	7,562

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included three directors (2019: two directors), details of whose remuneration are set out in the analysis presented above. Details of the remuneration for the year of the remaining two (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries and other benefits	**2,573**	3,219
Performance related bonuses	**189**	468
Contribution to defined contribution plans	**36**	155
Share-based payments	**–**	176
	2,789	4,018

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

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	3

During the years ended 31 December 2020 and 2019, 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 2020 and 2019.

11. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made for the year ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

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

	2020 ***HK$'000***	2019 *HK$'000*
Current – Mainland China	**73,300**	41,137
Deferred *(note 35)*	**(184,126)**	(17,969)
Total tax (credit)/expense for the year	**(110,826)**	23,168

Reconciliation of income tax

	2020 ***HK$'000***	2019 *HK$'000*
Profit/(loss) before tax	**(3,917,228)**	97,038
Income tax at applicable tax rate of 25% (2019: 25%)	**(979,307)**	24,260
Tax effect of expenses not deductible for tax purpose	**895,951**	70,537
Tax effect of income not taxable for tax purpose	**(353)**	(13,156)
Tax effect of tax losses not recognised	**23,275**	12,110
Tax effect of share of results of associates and joint ventures	**(90,186)**	(76,822)
Adjustments in respect of current tax of previous periods	**39,794**	–
Effect of different tax rates of the subsidiaries operating in Hong Kong	**–**	6,239
Income tax (credit)/expense for the year	**(110,826)**	23,168

12. LOSSES PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic losses per share amount is based on the loss for the year attributable to shareholders of the Company of HK$3,716,327,000 (2019: HK$10,871,000), and the weighted average number of ordinary shares of 12,986,114,715 (2019: 12,986,114,715) in issue during the year.

The computation of diluted losses 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 losses per share for the years ended 31 December 2020 and 2019.

13. DIVIDENDS

The board of directors of the Company did not recommend payment of dividend for the years ended 31 December 2020 and 2019.

14 PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Construction in progress HK$'000	Buildings HK$'000 (note (a))	Gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2020:								
Cost	74,553	88,502	273,436	141,363	5,386	16,745	3,391	603,376
Accumulated depreciation	–	(22,078)	(46,031)	(37,797)	(3,354)	(10,798)	(2,263)	(122,321)
Net carrying amount	74,553	66,424	227,405	103,566	2,032	5,947	1,128	481,055
At 1 January 2020, net of accumulated depreciation	74,553	66,424	227,405	103,566	2,032	5,947	1,128	481,055
Transfer from right-of-use assets (note (b))	–	–	145,408	9,420	69	4,472	–	159,369
Additions	29,775	3,305	3,999	10,716	274	429	–	48,498
Acquisition of subsidiaries (note 38)	16,702	–	–	4,696	5	–	–	21,403
Depreciation provided during the year (note 8)	–	(5,558)	(43,624)	(19,250)	(614)	(1,835)	(681)	(71,562)
Disposals	–	–	–	(2,129)	–	(1,740)	–	(3,869)
Impairment (note 8 and note (c))	(41,838)	(15,560)	(87,755)	(13,830)	–	–	–	(158,983)
Transfers	(23,063)	7,300	15,763	–	–	–	–	–
Exchange realignments	5,984	5,245	19,887	7,973	150	801	26	39,966
At 31 December 2020, net of accumulated depreciation and impairment	62,113	61,156	281,083	101,162	1,816	8,074	473	515,877
At 31 December 2020:								
Cost	103,951	104,352	458,493	172,039	5,784	20,707	3,417	868,743
Accumulated depreciation and impairment	(41,838)	(43,196)	(177,410)	(70,877)	(3,968)	(12,633)	(2,944)	(352,866)
Net carrying amount	62,113	61,156	281,083	101,162	1,816	8,074	473	515,877

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2019

	Construction in progress HK$'000	Buildings HK$'000 (note (a))	Gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 1 January 2019:								
Cost	69,734	88,382	423,873	112,335	5,300	24,508	3,411	727,543
Accumulated depreciation	–	(16,720)	(43,963)	(28,536)	(2,737)	(12,879)	(2,041)	(106,876)
Net carrying amount	69,734	71,662	379,910	83,799	2,563	11,629	1,370	620,667
At 1 January 2019, net of accumulated depreciation	69,734	71,662	379,910	83,799	2,563	11,629	1,370	620,667
Effect of IFRS 16	–	–	(88,010)	(5,179)	(22)	(5,138)	–	(98,349)
Additions	39,403	271	642	10,146	202	1,122	–	51,786
Acquisition of subsidiaries (note 38)	1,436	–	–	33,795	74	–	–	35,305
Depreciation provided during the year (note 8)	–	(5,735)	(25,332)	(14,810)	(690)	(1,558)	(235)	(48,360)
Disposals	–	–	(66,821)	(5,435)	(62)	–	–	(72,318)
Transfers	(34,709)	1,426	31,088	2,195	–	–	–	–
Exchange realignments	(1,311)	(1,200)	(4,072)	(945)	(33)	(108)	(7)	(7,676)
At 31 December 2019, net of accumulated depreciation	74,553	66,424	227,405	103,566	2,032	5,947	1,128	481,055
At 31 December 2019:								
Cost	74,553	88,502	273,436	141,363	5,386	16,745	3,391	603,376
Accumulated depreciation	–	(22,078)	(46,031)	(37,797)	(3,354)	(10,798)	(2,263)	(122,321)
Net carrying amount	74,553	66,424	227,405	103,566	2,032	5,947	1,128	481,055

Notes:

(a) As at 31 December 2020, certain buildings of the Group with total net carrying values of approximately HK$151,754,000 (2019: Nil) were pledged as security for the Group's bank borrowings amounting to HK$127,646,000 (2019: Nil) *(note 32)*.

(b) Certain items of property, plant and equipment were transferred from right-of-use assets as a result of the correction of accounting treatment for two sales and leaseback arrangements, details of which are included in note 2.4.7 to the financial statements.

(c) Certain of the Group's entities engaged in natural gas refueling station, trading and distribution of natural gas, direct supply to industrial users and city gas operation have been loss-making for some time, and this event constituted impairment indicators of the non-current assets attributable to the relevant cash-generating units including property, plant and equipment and right-of-use assets. Accordingly, the Group carried out an impairment testing of these assets as at 31 December 2020 in accordance with IAS 36 *Impairment of Assets*. In this connection, the Company had engaged an independent professional valuer, to assess the value in use ("VIU") of the relevant cash generating units ("CGUs") by using the discounted cash flow method, details of which are set out in note 18 to the financial statements.

(d) Certain of the Group's subsidiaries are engaged in the direct supply of natural gas to local industrial users. To provide such service to the customers, the Group is required to install certain equipment and facilities in the customers' premises, including equipment for transforming LNG into piped gas and natural gas storage facilities. The New Board noticed that scope of operation as stated in the business licenses of the related subsidiaries do not include the storage of natural gas. In the opinion of the New Board, there is no evidence that the Group has violated the current law and regulations in Mainland China and there is no penalty being imposed by the government authorities on the Group's business. However, in order to fully eliminate the related operating risk, the Group is currently taking the appropriate measures to cope with the situation. Details of the assumptions adopted by the New Board for the impairment assessment of the direct supply of natural gas business are set out in note 18 to the financial statements.

15. LEASES

The Group as a lessee

The Group has lease contracts for office building with lease periods of 2 – 20 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 2 – 50 years, and no ongoing payments will be made under the terms of these land leases.

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

(a) Right-of-use assets

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

	Office premises HK$'000	Gas pipeline HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Prepaid land lease payments HK$'000	Total HK$'000
At 1 January 2019	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 charge (note 8)	(7,760)	(6,834)	(1,469)	(14)	(582)	(2,400)	(19,059)
Exchange realignment	(360)	(2,589)	(976)	(1)	(84)	(791)	(4,801)
At 31 December 2019 and 1 January 2020	19,667	145,408	9,420	69	4,472	43,796	222,832
Transfer to property, plant and equipment (note (e))	–	(145,408)	(9,420)	(69)	(4,472)	–	(159,369)
Additions	–	–	–	–	–	9,980	9,980
Depreciation charge (note 8)	(8,990)	–	–	–	–	(9,484)	(18,474)
Impairment (note 8)	–	–	–	–	–	(9,046)	(9,046)
Exchange realignment	704	–	–	–	–	246	950
At 31 December 2020	11,381	–	–	–	–	35,492	46,873

Based on the results of the impairment tests performed by the New Board, impairment loss of HK$9,046,000 has been recognised in profit or loss during the year, details of which are included in note 18 to the financial statements.

15. LEASES (Continued)

(b) Lease liabilities

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

	2020 **HK$'000**	2019 HK$'000
Carrying amount at 1 January	**161,751**	88,809
Transfer to bank and other borrowings (note(e))	**(141,510)**	–
New leases	**–**	77,523
Acquisition of subsidiaries	**–**	552
Accretion of interest recognised during the year	**858**	13,454
Payments	**(9,615)**	(13,612)
Exchange realignment	**751**	(4,975)
Carrying amount at 31 December	**12,235**	161,751
Analysed into:		
Current portion	**4,570**	35,587
Non-current portion	**7,665**	126,164
	12,235	161,751

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

	2020 **HK$'000**	2019 HK$'000
Interest on lease liabilities	**858**	13,454
Depreciation charge of right-of-use assets	**18,474**	19,059
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	**1,645**	1,046
Impairment of right-of-use assets	**9,046**	–
Total amount recognised in profit or loss	**30,023**	33,559

(d) The total cash outflow for leases is disclosed in consolidated statement of cash flows.

(e) Certain right-of-use assets were transferred to property, plant and equipment as a result of the correction of two sales and leaseback arrangements, details of which are included in note 2.4.7 to the financial statements.

16. INTANGIBLE ASSETS

Operating rights	**2020** **HK$'000**	2019 HK$'000
At 1 January:		
Cost	**1,398,649**	1,398,649
Accumulated amortisation	**(235,901)**	(164,028)
Net carrying amount	**1,162,748**	1,234,621
Net carrying amount:		
At 1 January	**1,162,748**	1,234,621
Amortisation provided during the year *(note 8)*	**(72,070)**	(71,873)
Reallocation of consideration *(note 18(a))*	**(7,435)**	–
Impairment provided during the year *(notes 8 and 18)*	**(660,499)**	–
At 31 December	**422,744**	1,162,748
At 31 December:		
Cost	**1,398,649**	1,398,649
Accumulated amortisation and impairment	**(975,905)**	(235,901)
Net carrying amount	**422,744**	1,162,748

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. The Group performs impairment test on operating rights as there are indicators of impairment, particulars regarding impairment testing on intangible assets are disclosed in note 18 to the consolidated financial statements.

17. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost, net of impairment, and net carrying amount:		
At 1 January	**1,475,408**	1,139,731
Acquisition of subsidiaries *(note 38)*	**–**	335,677
Reallocation of consideration *(note 18(a))*	**(348,334)**	–
Impairment provided during the year *(notes 8 and 18)*	**(869,627)**	–
At 31 December	**257,447**	1,475,408

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 indicators that goodwill might be impaired. Particulars regarding impairment testing on goodwill are disclosed in note 18 to the consolidated financial statements.

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

The management considers that each subsidiary represents a separate CGU for the purpose of goodwill, intangible assets and other non-current non-financial assets impairment testing. The recoverable amount of each operation has been determined by reference to a business valuation performed by an independent professionally qualified valuer based on a value-in-use calculation using cash flow projection which is based on a financial forecast approved by senior management covering a period of five to ten years and based on the assumption that the operation can generate cash flows perpetually. The discount rate applied to the cash flow projection ranging from 10.38% to 18.54% (2019: 11% to 17%), which is determined by reference to the average rate for a similar industry and the business risk of the relevant business unit. A growth rate of 2.6% (2019: 3%) is used after these 5-year to 10-year periods.

Key assumptions used in estimations of the recoverable amounts

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

- Budgeted revenue

  – In respect of the revenue from the city gas business segment, the budgeted revenue is based on the projected gas distribution volume and pipeline connection projects, and the latest gas selling price and connection fee.

  – In respect of the revenue from the trading and distribution of natural gas, direct supply to industrial users and natural gas refuelling station operation, the budgeted revenue is based on the projected distribution quantity, and the latest selling price.

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

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

- Budgeted gross margins

  – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, having adjusted for expected efficiency improvements, and expected market development.

- Discount rates

  – The discount rates used are after tax and reflect specific risks of the respective segments.

  – The pre-tax discount rates applied in the cash flow projections ranged from 13.84% to 24.72% (2019: 14.67% to 22.67%).

- Business environment

  – There have been no major changes in the existing political, legal and economic conditions in Mainland China.

- Direct supply to industrial users of natural gas business

  – Certain of the Group's subsidiaries are engaged in the direct supply of natural gas to local industrial users. To provide such services to the customers, the Group is required to install certain equipment and facilities in the customers' premises, including equipment for transforming LNG into piped gas and natural gas storage facilities. The board of directors noticed that the scope of operation as stated in the business licenses of the related subsidiaries does not include the processing of natural and storage of natural gas. In the opinion of the New Board, there is no evidence that the Group has violated the current law and regulations in Mainland China and there is no penalty being imposed by the government authorities on the Group's business. However, in order to fully eliminate the related operating risk, the Group is currently taking the appropriate measures to cope with the situation. For impairment assessment purposes, the New Board assumes that the Group's direct supply of natural gas business will be continued uninterrupted.

- Distribution of gas business in Jilin

  – Jilin Haoyuan and 松原市北燃藍天新能源有限公司 ("Songyuan Beijing Gas Blue Sky"), subsidiaries of the Group, are engaging in gas distribution business in Jilin, the PRC. In 2017, the underground gas pipeline of Jilin Haoyuan was damaged and leaked due to illegal underground construction by a third party, during which an explosion occurred (the "Accident"). Following the Accident, the gas operating permit of Jilin Haoyuan was not renewed by the local authority. With the consent of the local authorities, Jilin Haoyuan entered into the entrusted operation agreement with Songyuan Beijing Gas Blue Sky and entrusted Songyuan Beijing Gas Blue Sky to continue with the operation and the arrangement is subject to approval by the local authorities annually. In August 2021, the previous entrusted agreement has been expired and was renewed upon expiry. For impairment assessment purpose, the New Board assumes that the relevant business will be continued uninterrupted.

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

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

(a) Goodwill and intangible assets

Based on the results of the impairment testing, in the opinion of the directors of the Company, impairment provisions against the goodwill and intangible assets attributable to certain subsidiaries of HK$869,627,000 (2019: Nil) and HK$660,499,000 (2019: Nil) were considered necessary, respectively, which were charged to profit or loss for the year ended 31 December 2020:

At 31 December 2020

	Carrying amount *HK$'000*	Reallocation of consideration# *HK$'000*	Impairment *HK$'000*	Net balance *HK$'000*
Goodwill				
Cloud Decade Limited ("Cloud Decade")	268,362	–	(268,362)	–
Shine Great Investments Limited ("Shine Great")	3,549	–	(3,549)	–
Energy Shell Limited ("Energy Shell")	157,329	–	(150,896)	6,433
Haikou Xinyuan Natural Gas Technology Co., Ltd. ("Haikou Xinyuan")	113,594	–	(109,199)	4,395
Diamond Maple Limited ("Diamond Maple")	100,204	(100,204)	–	–
Day Zone Limited ("Day Zone")	140,815	(134,141)	–	6,674
OctoNet Limited and August Zone Limited ("OctoNet and August Zone Group")	224,154	–	(224,154)	–
Top Grand Global Limited ("Top Grand")	131,724	–	–	131,724
Rainbow Leap Limited ("Rainbow Leap") *(note 38)*	330,704	(113,989)	(113,467)	103,248
上海萬興能源技術有限公司 (Shanghai Wanxing Energy Technology Co., Ltd*) ("Shanghai Wanxing") *(note 38)*	4,973	–	–	4,973
	1,475,408	(348,334)	(869,627)	257,447

* English translation is for identification purpose only.

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

(a) Goodwill and intangible assets (Continued)

	Carrying amount *HK$'000*	Reallocation of consideration[#] *HK$'000*	Impairment *HK$'000*	Net balance *HK$'000*
Intangible assets				
Smart Union Holdings Limited ("Smart Union")	3,500	–	–	3,500
Cloud Decade	337,531	–	(337,531)	–
Shine Great	90,490	–	(90,490)	–
Diamond Maple	14,330	(7,435)	–	6,895
OctoNet and August Zone	359,875	–	(232,478)	127,397
Top Grand	284,952	–	–	284,952
	1,090,678	(7,435)	(660,499)	422,744

The amounts represented reclassification of goodwill and intangible assets to deposits paid for acquisitions of subsidiaries in relation to Zhejiang Bochen, details of which are disclosed in notes 2.3.1(a) and 2.3.2 to the financial statements.

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

(a) Goodwill and intangible assets (Continued)

At 31 December 2019

	Carrying amount and net balance	
	Goodwill	Operating rights
	HK$'000	*HK$'000*
Smart Union	–	3,500
Cloud Decade	268,362	353,463
Shine Great	3,549	94,590
Energy Shell	157,329	–
Haikou Xinyuan	113,594	–
Diamond Maple	100,204	17,851
Day Zone	140,815	–
OctoNet and August Zone Group	224,154	387,615
Top Grand	131,724	305,729
Rainbow Leap	330,704	–
Shanghai Wanxing	4,973	–
	1,475,408	1,162,748

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

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

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

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

Based on the VIU assessment of the CGUs of these operations, the New Board is of the opinion that impairment losses of HK$168,029,000 (2019: Nil) in total against the property, plant and equipment and right-of-use assets were considered necessary which were recognised as "Impairment losses on other assets" in profit or loss during the year and were allocated to non-current assets based on their relative carrying amounts as follows:

	HK$'000
Natural gas refuelling station	43,555
Trading and distribution of natural gas	6,657
City gas, pipeline construction, value-added service and others	117,817
	168,029

19. INVESTMENTS IN ASSOCIATES

	Notes	**2020** **_HK$'000_**	2019 *HK$'000*
Investments in associates, included in non-current assets:			
Share of net assets, net of impairment		**1,852,051**	1,640,508
Goodwill on acquisition, net of impairment	(d)	**–**	130,810
		1,852,051	1,771,318
Due from associates, included in current assets, net of impairment	(b)	**1,189**	31,344
Due to associates, excluding trade payables, included in current liabilities		**(4,411)**	–
		1,848,829	1,802,662

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes:

(a) Particular of the Group's investments in the individually material associates are as follows:

			Percentage of			
Name of entities	Place of incorporation	Issued capital/ paid-up capital	Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
中石油京唐液化天然氣有限公司 (PetroChina Jingtang LNG Co., Ltd)* ("PetroChina Jingtang")	The PRC	RMB3,150,000,000	29%	29%	29%	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	RMB30,000,000	26%	26%	26%	Sales and distribution of LNG through gas refuelling station for vehicles

* English translation is for identification purpose only.

(b) The balances with associates are unsecured, interest-free and are repayable on demand.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. As material uncertainty on the recoverability was noted, impairment of HK$30,809,000 (2019: Nil) *(note 8)* was recognised in the profit or loss for the year ended 31 December 2020.

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(c) Material associates disclosures

The following table illustrates the summarised financial information of the above two material associates and has been adjusted to reflect the fair values of identifiable assets and liabilities at the completion dates of acquisitions by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	PetroChina Jingtang		Hainan Dazhong	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current assets	**1,893,406**	906,439	**9,820**	4,955
Non-current assets	**5,710,659**	5,442,439	**100,448**	108,464
Current liabilities	**(378,990)**	(576,293)	**(6,450)**	(20,953)
Non-current liabilities	**(950,941)**	(295,287)	**(13,556)**	(4,716)
Net assets	**6,274,134**	5,477,298	**90,262**	87,750
Less: Non-controlling interests	**–**	–	**–**	–
Net assets attributable to shareholders of the associates	**6,274,134**	5,477,298	**90,262**	87,750
Reconciliation to the Group's investments in the associates				
Proportion of the Group's ownership	**29%**	29%	**26%**	26%
Group's share of net assets of the associates, excluding goodwill recognised by the Group	**1,819,499**	1,588,416	**23,468**	22,815
Other reconciling items	**–**	–	**–**	26,356
Carrying amount of the investments	**1,819,499**	1,588,416	**23,468**	49,171
Other disclosures				
Revenues	**2,066,040**	2,192,939	**150,136**	147,325
Profit/(loss) for the year	**1,112,399**	1,069,170	**1,864**	(4,657)
Profit/(loss) for the year attributable to shareholders of the associates	**1,112,399**	1,069,170	**1,864**	(4,657)
Share of the associates' profit/(loss) for the year	**322,596**	310,059	**485**	(1,211)
Dividend received/receivable by the Group	**198,586**	217,924	**–**	–

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(d) The movements in the goodwill included in the investments in associates during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
Cost, net of impairment, and net carrying amount:		
At 1 January	**130,810**	130,810
Impairment provided during the year (note 8, note (f))	**(130,678)**	–
Exchange realignment	**(132)**	–
At 31 December	**–**	130,810

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

	2020 **HK$'000**	2019 HK$'000
Share of the associates' loss for the year	**2,649**	3,136
Share of the associates' other comprehensive income/(loss) for the year	**9,818**	(3,204)
Share of net assets of the associates, net of impairment (note (f))	**9,084**	133,731

(f) Since certain of the Group's associates have been loss-making for some time, impairment loss/write-off of HK$159,899,000 (including goodwill included in investments in associates of HK$130,678,000) were recognised by the Group during the year, details of which are included in notes 2.3.3 and 2.4.3 to these financial statements.

20. INVESTMENTS IN JOINT VENTURES

	Notes	2020 HK$'000	2019 HK$'000
Investments in joint ventures, included in non-current assets:			
Share of net assets, net of impairment		**182,528**	176,728
Goodwill on acquisition, net of impairment	(d)	**7,090**	183,618
		189,618	360,346
Due from joint ventures, included in current assets	(c)	**41,750**	38,022
Due to joint ventures, included in current liabilities	(c)	**(151,341)**	–
Due to joint ventures, excluding trade payables, included in non-current liabilities	(c)	**(16,963)**	(135,148)
		63,064	263,220

Notes:

(a) Particulars of the Group's material joint venture are as follows:

Name of entities	Place of registration and business	Issued capital/ paid-up capital	Percentage of: Ownership Interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities/ principal place of operations
錢唐融資租賃股份有限公司 (Qian Tang Finance Lease Co. Ltd.*) ("Qian Tang")	The PRC	RMB135,330,681	65%	50% (note(ii))	65%	Finance leasing/The PRC

* English translation is for identification purpose only.

Notes:

(i) 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 the joint venture. The shareholders of the joint venture have also contractually agreed to share control over the joint venture, as key decisions about the relevant activities, including but not limited to business, financial and operational matters, require unanimous consents from all of the directors of the joint venture.

20. INVESTMENTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(a) (Continued)

(ii) The Group holds a 65% equity interest in 錢唐融資租賃股份有限公司 (Qiantang Finance Lease Co., Ltd. ("Qian Tang") which was established in December 2016 and remaining equity interest was held by a subsidiary of Zhejiang Bochen (the "Initial JV Partner"). The New Board noted that the Group and the Initial JV Partner contractually agreed the sharing of control over Qian Tang, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of Qian Tang (the "Relevant Activities"), require unanimous consents from all of the directors of Qian Tang. Accordingly, the management of the Group was of the view that the Group had joint control over Qian Tang and the Group's equity interest in Qian Tang was accounted for as an investment in a joint venture.

The New Board noted that in December 2017, the holder of the 35% equity interest of Qian Tang was changed to another party (the "New JV Partner") and the Group continued to account for Qian Tang as a joint venture, despite that there was no evidence that the Group had entered into any contractual agreement with the New JV Partner for the sharing of control over Qian Tang. According to the current articles of association of Qian Tang, the Relevant Activities are approved by the board of directors of Qian Tang, while the New board are appointed by the shareholders by simple majority of votes by the shareholders. The New board also noted that the Initial JV Partner and the New JV Partner had not injected any capital into Qian Tang since its establishment. Thus in the absence of a contractual agreement for sharing control between the Group and the New JV partner, the Group shall be able to control the Relevant Activities through the control over the composition of the board of directors of Qian Tang according to the current articles of association.

However, the New Board noted that the Group is currently having a dispute with the New JV Partner and the official company chop is being kept by the New JV Partner. The New Board also represented that the books and records of Qian Tang for the year ended 31 December 2020 were prepared by the New JV Partner and the New Board is unable to access the accounting vouchers prepared by New JV Partner during the year and only the accounting system could be accessed by the New Board. Due to inability to control the Relevant Activities of Qian Tang, the New Board continued to account for Qian Tang as a joint venture during the year ended 31 December 2020. The New Board represented that legal actions will be taken by the Group against the New JV Partner and Qian Tang will be dissolved in the near future.

20. INVESTMENTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(b) Financial information of individually material joint ventures

Summarised financial information of Qian Tang, a material joint venture, is set out below, which represents amounts shown in Qian Tang's financial statements.

Qian Tang	2020 *HK$'000*	2019 *HK$'000*
Cash and cash equivalents	**358**	337
Other current assets	**181,862**	164,485
Current assets	**182,220**	164,822
Non-current assets, excluding goodwill	**15,752**	35,418
Goodwill on acquisition of the joint venture	**7,090**	7,090
Financial liabilities, excluding trade and other payables and provisions	**(903)**	(2,487)
Other current liabilities	**(22,657)**	(27,596)
Current liabilities	**(23,560)**	(30,083)
Non-current liabilities	**(1,977)**	(6,865)
Net assets	**179,525**	170,382
Net assets, excluding goodwill	**172,435**	163,292
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership interest	**65%**	65%
Group's share of net assets of the joint venture, excluding goodwill *(note (d))*	**168,301**	159,094
Goodwill on acquisition, net of impairment	**7,090**	7,090
Carrying amount of the investment	**175,391**	166,184
Revenue	**4,495**	13,014
Profit/(loss) and total comprehensive income/(loss) for the year	**(826)**	6,420
Group's share of profit/(loss) of the year and total comprehensive income/(loss) for the year	**(537)**	4,173

(c) The balances with joint ventures are unsecured, interest-free and are repayable on demand.

20. INVESTMENTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(d) The movements in the goodwill included in the investments in joint ventures during the year are as follows:

	2020 HK$'000	2019 HK$'000
Cost, net of impairment, and net carrying amount:		
At 1 January	**183,618**	183,618
Impairment provided during the year (note 8)	**(177,750)**	–
Exchange realignment	**1,222**	–
At 31 December	**7,090**	183,618

Since some of the joint ventures were loss-making in the past few years, full impairment for goodwill was recognised during the year (2019: Nil) as there is no recoverable amount. The carrying amount of goodwill as at 31 December 2020 represented the goodwill arising from acquisition of Qian Tang which is not impaired during the year.

(e) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 HK$'000	2019 HK$'000
Share of the joint ventures' loss for the year	**11,230**	2,782
Share of the joint ventures' total comprehensive loss	**12,117**	1,905
Aggregate carrying amount of the Group's investments in the joint ventures	**14,227**	55,216

21. DEPOSITS PAID FOR ACQUISITION OF SUBSIDIARIES

	2020 HK$'000	2019 HK$'000
Deposits paid for acquisition of subsidiaries	**883,126**	777,638
Reallocation of consideration (note 18(a))	**355,769**	–
Acquisition of subsidiaries during the year (note 38)	**(31,590)**	(5,460)
Impairment (note 8)	**(772,033)**	–
	435,272	772,178

Note:

As disclosed in notes 2.3.2 and 2.4.2 to the financial statements, impairment assessment was performed by the New Board on the Group's deposits paid for acquisitions of subsidiaries based on the findings of the Investigation and other available information. As a result of the assessment, impairment losses with an aggregate amount of HK$772,033,000 was recognised by the Group during the year. The remaining carrying amount at 31 December 2020 mainly included deposits paid for the acquisition of entire equity interest in Zhejiang Bochen, 51% equity interest in Tangshan Huapu and 39% equity interest in Shanxi Minsheng and Yongji Minsheng, details of which are disclosed in notes 2.3.1(a), 2.4.2 and 2.3.1(c), respectively.

22. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	HK$'000	*HK$'000*
Deposits for acquisition of property, plant and equipment	**76,951**	77,151
Impairment *(note, note 8)*	**(49,598)**	–
	27,353	77,151

Note:

The amounts represent the deposits paid for acquisition of construction projects located in the Mainland China. During the year, impairment was recognised in profit or loss as the deposits were paid in several years ago with no progress noted during these years, and the New Board considered the recoverability is low.

23. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Construction materials	**7,243**	38,421
LNG and other consumables	**11,152**	15,935
	18,395	54,356

Note:

Since the existence of certain inventory is uncertain, a write-off of HK$59,809,000 (2019: Nil) *(note 8)* was recognised in profit or loss for the year ended 31 December 2020.

24. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**440,427**	408,592
Impairment *(note (b))*	**(191,080)**	(47,690)
	249,347	360,902

24. TRADE RECEIVABLES (Continued)

Notes:

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

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

	2020 ***HK$'000***	2019 *HK$'000*
Unbilled portion and billed within 3 months	**170,841**	333,868
Billed:		
4 to 6 months	**8,404**	6,958
7 to 12 months	**11,934**	20,076
Over 1 year	**58,168**	–
	249,347	360,902

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

	2020 ***HK$'000***	2019 *HK$'000*
At 1 January	**47,690**	69,514
Impairment losses/(reversal of impairment), net *(note 8)*	**135,864**	(22,256)
Acquisition of subsidiaries *(note 38)*	**–**	432
Exchange realignment	**7,526**	–
At 31 December	**191,080**	47,690

Individual assessment is performed on certain receivables and impairment losses of HK$142,393,000 (2019: Nil) was recognised during the year.

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

24. TRADE RECEIVABLES (Continued)

Notes: (Continued)

(b) (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables (after impairment recognised based on individual assessment) using a provision matrix:

At 31 December 2020

	Unbilled and within 3 months	**4 to 6 months**	**7 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**3.9%**	**6.8%**	**16.9%**	**40.0%**	
Gross carrying amount after individual assessment (HK$'000)	**177,793**	**9,000**	**14,361**	**96,880**	**298,034**
Expected credit losses (HK$'000)	**6,932**	**616**	**2,427**	**38,712**	**48,687**

At 31 December 2019

	Unbilled and within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	7.1%	4.7%	9.7%	52.2%	
Gross carrying amount (HK$'000)	359,199	5,572	1,826	41,995	408,592
Expected credit losses (HK$'000)	25,331	262	178	21,919	47,690

(c) The New Board noted that certain of the Group's trade receivables arising from gas connection services provided to property developers were already settled by the transfer of ownership of properties owned by the property developers to the Group. Accordingly, the carrying amounts of the related trade receivables had been derecognised as at 31 December 2020. The properties that had been transferred to the Group as at 31 December 2020 were recognised as investment properties as at 31 December 2020.

25. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets arising from pipeline construction service	**52,557**	46,606

Contract assets are initially recognised for revenue earned from the provision of construction services as the receipt of consideration is conditional on successful completion of the construction services. The increases in contract assets in 2020 were the result of the increase in the provision of construction services close to the end of each of the years.

Based on historical data and management's analysis, the loss on collection was not material and hence no provision for ECL against the contract assets as at 31 December 2020 was considered necessary (2019: Nil).

26. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Prepayments	(a)	**330,774**	307,148
Loan and bond receivables	(b)	**421,618**	407,779
Other receivables	(c)	**419,816**	222,156
		1,172,208	937,083
Impairment	(d)	**(606,510)**	(16,507)
		565,698	920,576
Portion classified as current assets		**(564,896)**	(874,776)
Non-current portion		**802**	45,800

Notes:

(a) Prepayments mainly included prepayment for purchase of natural gas, construction and related products of approximately HK$260,062,000 (2019: HK$300,920,000).

26. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) Loan and bond receivables, net of impairment loss of HK$357,448,000 (2019: HK$1,593,000) at 31 December 2020 included:

(i) loan receivables of approximately HK$299,332,000 (2019: HK$278,289,000) in total. These loan receivables are short term loan advances to independent third parties, which are unsecured, interest bearing at 4% to 12% per annum and repayable within one year;

(ii) bond receivables of approximately HK$122,286,000 (2019: HK$129,490,000) in total. These bond receivables are redeemable within one year from independent third parties, which are unsecured and interest bearing at 10% to 18% per annum; and

(c) Other receivables at 31 December 2020 included certain deposits of approximately HK$10,390,000 (2019: HK$11,998,000) in total paid for the construction, purchase or rental of buildings and gas pipelines and security deposits paid to an independent third party with net carrying amount of approximately HK$38,825,000 (2019: Nil).

(d) As disclosed in notes 2.3.5 and 2.4.4 to the financial statements, impairment assessment was performed by the New Board on the Group's loan and bond receivables and other receivables balances based on the findings of the Investigation and other available information. As a result of the assessment, impairment losses based on individual assessment with an aggregate amount of HK$577,203,000 was recognised by the Group during the year.

In respect of impairment consideration of the Group's other receivables (after impairment recognised based on individual assessment), an impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. At 31 December 2020, the probability of default applied for other receivables ranged from 1.88% to 35.45% (2019: Nil) and the loss given default was estimated from 62.1% to 63.5% (2019: Nil).

In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

26. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(d) (Continued)

The movements in the impairment of other receivables during the year are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**16,507**	–
Impairment losses recognised during the year, net (note 8)	**578,806**	16,507
Exchange realignment	**11,197**	–
At 31 December	**606,510**	16,507

Other than those mentioned above, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Unlisted equity investments, at fair value		
– 海南中油深南能源有限公司	**–**	101,784
– Borealis Alaska Oil, Inc. (formerly known as "NordAq Energy Inc.")	**–**	9,591
– Others	**696**	8,287
	696	119,662

Notes:

(i) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(ii) As disclosed in notes 2.3.4 to the financial statements, impairment assessment was performed by the New Board on the Group's equity investments at fair value through other comprehensive income based on the findings of the Investigation and other available information. As a result of the assessment, write-off of assets with an aggregate amount of HK$111,375,000 was recognised by the Group during the year.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Unlisted fund investments	**5,935**	215,063
Listed equity securities	**1,153**	5,171
	7,088	220,234

Notes:

(i) These financial assets were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(ii) As disclosed in notes 2.3.4 to the financial statements, impairment assessment was performed by the New Board on the Group's financial assets at fair value through profit or loss based on the findings of the Investigation and other available information. As a result of the assessment, write-off of assets with an aggregate amount of HK$223,572,000 was recognised by the Group during the year.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 HK$'000	2019 HK$'000
Cash and bank balances other than time deposits	**455,396**	318,598
Time deposits	**297,005**	223,700
	752,401	542,298
Less: Pledged deposits *(note (c))*	**(46,993)**	–
Cash and cash equivalents	**705,408**	542,298

Notes:

(a) At 31 December 2020, the cash and deposit balances of the Group denominated in RMB amounted to HK$688,373,000 (2019: HK$501,385,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and one year (2019: seven days and one year) depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The saving and time deposits are deposited with creditworthy banks with no recent history of default.

(c) Bank balances of HK$46,993,000 (2019: Nil) as at 31 December 2020 were pledged to secure certain bank loans granted to the Group *(note 32(c)(iii))*.

30. TRADE AND BILLS PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**222,888**	320,055
3 to 6 months	**51,421**	7,850
7 to 12 months	**13,287**	11,481
Over 12 months	**27,454**	15,402
	315,050	354,788
Unbilled	**42,004**	–
	357,054	354,788

31. OTHER PAYABLES AND ACCRUALS

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Accruals		**34,221**	47,518
Other liabilities		**113,846**	–
Construction cost payables	(a)	**15,384**	22,129
Contract liabilities	(b)	**268,668**	173,720
Income tax payable		**64,872**	42,060
		496,991	285,427

Notes:

(a) The construction cost payables are normally due within one year from the date of recognition as set out in the agreements.

31. OTHER PAYABLES AND ACCRUALS (Continued)

Notes: (Continued)

(b) Details of contract liabilities are as follows:

	31 December 2020 *HK$'000*	31 December 2019 *HK$'000*	1 January 2019 *HK$'000*
Short-term advances received from customers in respect of:			
Sale of natural gas	**205,814**	120,230	242,950
Pipeline construction contracts	**62,854**	53,490	26,783
Total contract liabilities	**268,668**	173,720	269,733

The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the sale of piped natural gas near the end of year.

32. BANK AND OTHER BORROWINGS

	2020 *HK$'000*	2019 *HK$'000*
Bank loans:		
Secured	**650,631**	39,148
Unsecured	**1,955,102**	1,190,241
	2,605,733	1,229,389
Corporate bonds:		
Secured	**–**	565,501
Unsecured	**785,070**	683,031
	785,070	1,248,532
Other loans:		
Secured	**121,646**	–
Unsecured	**6,000**	8,000
	127,646	8,000
Total bank and other borrowings	**3,518,449**	2,485,921

32. BANK AND OTHER BORROWINGS (Continued)

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,591,490**	1,202,210
In the second year	**14,243**	5,817
In the third to fifth years, inclusive	**–**	21,362
	2,605,733	1,229,389
Corporate bonds:		
Within one year or on demand	**745,070**	963,200
In the second year	**40,000**	161,406
In the third to fifth years, inclusive	**–**	123,926
	785,070	1,248,532
Other loans repayable:		
Within one year	**28,238**	2,000
In the second year	**99,408**	6,000
	127,646	8,000
Total bank and other borrowings	**3,518,449**	2,485,921
Portion classified as current liabilities	**(3,364,798)**	(2,167,410)
Non-current portion	**153,651**	318,511

Notes:

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

	2020 HK$'000	2019 HK$'000
HK$	**3,021,931**	2,240,606
RMB	**166,748**	133,465
United States dollars ("US$")	**329,770**	111,850
	3,518,449	2,485,921

(b) (i) As at 31 December 2020, the bank borrowings of approximately HK$23,831,000 (2019: HK$39,148,000) were secured by certain right-of-use assets and property, plant and equipment of the Group with total carrying amounts of approximately HK$9,000,000 (2019: HK$9,548,000), shares charged over 100% equity interest of a subsidiary of the Company and guarantee from the substantial shareholder of the Company. The remaining bank borrowings of approximately HK$2,581,902,000 (2019: HK$1,190,241,000) were unsecured.

(ii) As at 31 December 2020, the other loans of approximately HK$127,646,000 (2019: Nil) were secured by certain property, plant and equipment of the Group with total carrying amounts of approximately HK$151,574,000 (2019: Nil).

(iii) The Group's secured bank borrowings were secured by the Group's bank balances of HK$46,993,000 (2019: Nil) as at 31 December 2020 *(note 29(c))*.

32. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

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

	2020	2019
	%	%
Effective interest rate:		
Fixed-rate bank borrowings	**3.04**	6.96
Variable-rate bank borrowings	**1.84 – 4.54**	2.76 – 4.87
Fixed-rate other borrowings	**5.53**	4.49

(d) The loan agreements in respect of certain bank loans outstanding as at 31 December 2020 include certain conditions imposing debt covenants and specific performance obligations on the Company.

As disclosed in note 2 to the financial statements, certain events of default have been triggered as at 31 December 2020 and subsequent to the year end of the reporting period. Bank and other borrowings with aggregate carrying amount of HK$1,412,000,000 as at 31 December 2020 have been reclassified to current liabilities.

33. CONVERTIBLE BONDS

	Notes	2020 HK$'000	2019 HK$'000
Convertible Bonds I	(a)	–	194,105
Convertible Bonds II	(b)	–	179,307
		–	373,412
Amounts repayable:			
Within one year		–	373,412
Analysed for reporting purposes as:			
Current portion		–	373,412

Notes:

(a) Convertible Bonds I

On 4 May 2017, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds I"). The Convertible Bonds I matured on the date falling on the third anniversary of the issue 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 would be redeemed on the maturity date at 106% of the principal amount.

During the year ended 31 December 2020, the Convertible Bonds I was fully redeemed in cash.

(b) Convertible Bonds II

On 26 June 2018, the Company issued HK$180,000,000, 2% convertible bond (the "Convertible Bonds II"). The Convertible Bonds II matured on the date falling on the second anniversary of the issue date of Convertible Bonds II 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 II.

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 II 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.

During the year ended 31 December 2020, the Convertible Bonds II was fully redeemed in cash.

34. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
91,000,000,000 ordinary shares of HK$0.055 each	**5,005,000**	5,005,000
Issued and fully paid:		
12,986,114,715 (2019: 12,986,114,715) ordinary shares of HK$0.055 each	**714,236**	714,236

There is no movement in the issued capital of the Company during the year (2019: Nil).

35. DEFERRED TAXATION

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

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the reporting period	**289,812**	307,781
Deferred tax credited to profit or loss *(note 11)*	**(184,126)**	(17,969)
At the end of the reporting period	**105,686**	289,812

35. DEFERRED TAXATION (Continued)

Unrecognised deferred tax

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 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$908,292,000 (2019: HK$244,791,000) 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 2020, the Group had tax losses arising in Hong Kong of approximately HK$201,259,000 (2019: HK$165,973,000) 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.

36. 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.

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.

36. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

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 2020, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 24,906,720 (2019: 49,206,720), representing 0.2% (2019: 0.4%) 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.

36. 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 2020:

Category of the Grantee	Exercise price per share option HK$ (note)	Date of grant	Exercisable period	Number of share options as at 1 January 2020	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 2020
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
Sub-total				14,944,030	–	–	–	14,944,030
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	(9,962,690)	–
	0.660	20 July 2016	20 July 2017 to 19 July 2020	24,300,000	–	–	(24,300,000)	–
Sub-total				34,262,690	–	–	(34,262,690)	–
Total				49,206,720	–	–	(34,262,690)	14,944,030
Exercisable at the end of the year								14,944,030
Weighted average exercise price				HK$0.471	N/A	N/A	HK$0.551	HK$0.286
Weighted average share price at dates of exercise				N/A	N/A	N/A	N/A	N/A

36. 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 the Grantee	Exercise price per share option HK$ (note)	Date of grant	Exercisable period	Number of share options 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 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:

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").

37. 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.

38. ACQUISITION OF SUBSIDIARIES

The fair values of the identifiable assets and liabilities of the subsidiaries acquired and assumed as at the date of acquisition were as follows:

	Notes	**2020** ***HK$'000*** ***(note (a))***	2019 *HK$'000* *(note (b))*
Net assets acquired:			
Property, plant and equipment	14	**21,403**	35,305
Right-of-use assets	15(a)	**–**	1,251
Inventories		**–**	27,065
Investment in a joint venture		**6,581**	–
Trade receivables		**1,311**	69,950
Prepayments, deposits and other receivables		**8,916**	89
Cash and cash equivalents		**3,475**	37,226
Trade and bills payables		**(692)**	(243,073)
Other payables, accruals and contract liabilities		**(10,240)**	–
Total identifiable net assets at fair value		**30,754**	(72,187)
Non-controlling interests		**836**	(4,605)
		31,590	(76,792)
Goodwill on acquisition	17	**–**	335,677
		31,590	258,885

	2020 ***HK$'000*** ***(note (a))***	2019 *HK$'000* *(note (b))*
Satisfied by:		
Cash	**–**	253,425
Deposit paid in prior year	**31,590**	5,460
	31,590	258,885

38. ACQUISITION OF SUBSIDIARIES (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2020	2019
	HK$'000	*HK$'000*
Cash consideration paid	**–**	(253,425)
Cash and bank balances acquired	**3,475**	37,226
Loan to the vendor	**–**	144,391
Net inflow/(outflow) of cash and bank balances included in cash flows from investing activities	**3,475**	(71,808)

(a) On 30 June 2020, the Group acquired Golden Scenery and its subsidiaries established in the PRC which are principally engaged in energy supply business, at a consideration of US$1 (equivalent to approximately HK$8). For the purpose of determining the purchase price allocation of the acquisition, the cost of acquisition of the interest in Golden Scenery was determined based on the cost reallocation of the Zhejiang Bochen Group, details of which are included in note 2.3.1(a) to these financial statements.

Had the above acquisition been effected at the beginning of the reporting period, the revenue of the Group for the year ended 31 December 2020 would have been approximately HK$1,465,140,000 and the loss of the Group for the year would have been approximately HK$3,800,921,000.

(b) Business combinations during the year ended 31 December 2019 included, inter alia, the following material transactions:

(i) 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).

The consideration was partially satisfied by deposit paid in prior years (included in "Deposits paid 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.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

(ii) Acquisition of Rainbow Leap

On 12 April 2019, 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.

As disclosed in note 2.3.1(a) to these financial statements, the cost of acquisition of subsidiaries of the Zheijang Bochen Group had been reallocated by the New Board and the purchase price allocation of the Acquired Companies, including Rainbow Leap, had been adjusted during the year. No prior year adjustments were made by the New Board and the financial information presented was extracted from the prior year's financial statements.

Had the above acquisition been effected at the beginning of the reporting period, the revenue of the Group for the year ended 31 December 2019 would have been approximately HK$3,079,290,000 and the profit of the Group for that year would have been approximately HK$67,354,000.

(c) The fair values of trade and other receivables acquired in 2019 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.

(d) In 2019, 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.

39. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2020, part of consideration amounting to approximately HK$31,590,000 for acquisition of Zhejiang Huineng was satisfied by deposits paid to the vendor in prior years. Details of which are included in notes 2.3.1(a) and 38(a) to the financial statements.

During the year ended 31 December 2019, the Group had non-cash attributions to right-of-use assets and lease liabilities of HK$77,523,000 and HK$77,523,000, respectively, in respect of lease arrangements for various assets.

During the year ended 31 December 2019, part of consideration amounting to 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(b)(i) to the consolidated financial statements.

During the year ended 31 December 2019, part of consideration amounting to 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)(ii) to the consolidated financial statements.

(b) Reconciliation of liabilities arising from financing activities

	Amounts due to joint ventures *HK$'000*	Amounts due to associates *HK$'000*	Bank and other borrowings *HK$'000*	Embedded derivative at FVTPL *HK$'000*	Lease liabilities *HK$'000*	Convertible bonds *HK$'000*
At 1 January 2019	72,145	–	1,480,760	6,003	–	658,241
Financing cash flow, net	64,047	–	1,006,169	–	(13,612)	(404,810)
Acquisition of subsidiaries	–	–	–	–	552	–
Effect of IFRS 16	–	–	–	–	88,809	–
Additions	–	–	–	–	77,523	–
Interest expenses	–	–	83,639	–	13,454	147,069
Interest paid	–	–	(83,639)	–	–	(27,088)
Change in fair value of embedded derivatives	–	–	–	(6,003)	–	–
Exchange realignment	(1,044)	–	(1,008)	–	(4,975)	–
At 31 December 2019 and 1 January 2020	135,148	–	2,485,921	–	161,751	373,412
Financing cash flow, net	41,168	4,435	891,018	–	(9,615)	(402,065)
Reclassification *(note 2.4.7)*	–	–	141,510	–	(141,510)	–
Interest expenses	–	–	–	–	858	33,670
Interest paid	–	–	–	–	–	(5,017)
Exchange realignment	(8,012)	(24)	–	–	751	–
At 31 December 2020	168,304	4,411	3,518,449	–	12,235	–

40. RESERVES

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

(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, gains and losses on equity investments are never recycled to profit or loss.

(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 amounting to HK$35,015,000 (2019: 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.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

重慶賽廣博科技有限公司 (a 51% owned subsidiary which holds 100% equity interests in Shanxi Minsheng and Yongji Minsheng) and its subsidiaries (collectively the "Shanxi Group") were considered subsidiaries that have material non-controlling interests during the year ended 31 December 2020, and summarised financial information of which is set out below:

	HK$'000
Consolidated loss for the year allocated to the non-controlling interests	(16,409)
Dividends paid to the non-controlling interests	–
Accumulated balances of the non-controlling interests at the reporting date	55,542

The following tables illustrate the summarised consolidated financial information of Shanxi Group which is before any inter-company eliminations:

	HK$'000
Revenue	490,170
Total expenses	(522,504)
Loss for the year	(32,334)
Total comprehensive loss for the year	(32,334)
Current assets	417,704
Non-current assets	304,280
Current liabilities	(518,790)
Non-current liabilities	(71,238)
Net cash flows used in operating activities	(53,392)
Net cash flows from investing activities	3,291
Net cash flows used in financing activities	(13,449)
Net decrease in cash and cash equivalents	(63,550)

42. 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	**2020** **HK$'000**	2019 HK$'000
Finance cost on lease liabilities with a joint venture	(i)	**30**	10,144
Purchase of goods	(ii)	**4,018**	3,845
Sales of LNG	(iii)	**–**	28,162
Purchase of LNG	(iv)	**20,043**	–
Sales of oil by-products	(v)	**88,381**	–

Notes:

(i) During the year ended 31 December 2019, the Group entered into finance lease agreement with one of the joint ventures.

(ii) The amount represents purchases of goods from a non-controlling equity holder of a subsidiary and the purchasing price was determined by reference to the then prevailing market price.

(iii) The amount represents sales of LNG to a non-controlling equity holder of a subsidiary and the selling price was determined by reference to the then prevailing market price.

(iv) The amount represents purchase of LNG from a non-controlling equity holder of a subsidiary and the purchasing price was determined by reference to the then prevailing market price.

(v) The amount represents sales of oil by-products to a subsidiary of the Group's major shareholder and the selling price was determined by reference to the then prevailing market price.

The related party transactions in respect of items (ii), (iii), (iv) and (v) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

	2020 **HK$'000**	2019 HK$'000
Salaries, bonuses and other benefits	**4,537**	13,039
Contribution to defined contribution plans	**566**	591
Share-based payment	**–**	286
	5,103	13,916

43. FINANCIAL INSTRUMENTS BY CATEGORY

Save as certain equity investments being designated as equity investments at fair value through other comprehensive income and some financial assets being mandatorily measured at fair value through profit or loss, as further detailed in notes 27 and 28 to the financial statements, respectively, all other financial assets and financial liabilities of the Group as at 31 December 2020 and 2019 were classified as financial assets and financial liabilities measured at amortised cost.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accrued expenses, current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020				
Financial assets at fair value through profit or loss	**–**	**–**	**7,088**	**7,088**
Equity investments at fair value through other comprehensive income	**–**	**–**	**696**	**696**
Total	**–**	**–**	**7,784**	**7,784**
At 31 December 2019				
Financial assets at fair value through profit or loss	5,171	215,063	–	220,234
Equity investments at fair value through other comprehensive income	–	–	119,662	119,662
Total	5,171	215,063	119,662	339,896

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 fair value measurement (2019: Nil).

The fair values of the non-current portion of deposits, lease liabilities, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

45. 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, 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 and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities excluding intra-group balances at the reporting date are as follows:

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**732,153**	652,269	**3,321,931**	2,678,644
US$	**–**	9,639	**330,078**	133,464

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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% (2019: 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	
	2020	2019
	HK$'000	*HK$'000*
HK$	**(78,691)**	(84,604)
US$	**(1,732)**	(5,170)

Interest rate risk

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations.

Banks and other borrowings, cash and short term deposits are stated at amortised cost and not revalued. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

The following tables set out the carrying amounts, by maturity, of the Group's interest-bearing financial instruments as at the end of the reporting period that are exposed to interest rate risk:

	Carrying amount		Effective interest rate	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***%***	*%*
Floating rate:				
Cash and cash equivalents	**408,403**	318,598	**0.10-0.35**	0.10-0.35
Bank and other borrowings	**2,454,669**	1,181,464	**1.84-4.54**	2.76-4.87
Fixed rate:				
Pledged deposits	**46,993**	–	**0.30**	–
Cash and cash equivalents	**297,005**	223,700	**3.14**	2.14
Bank and other borrowings	**1,063,780**	1,304,457	**5.16**	4.59
Convertible bonds	**–**	373,412	**–**	4.80-2.00

At 31 December 2020, it was estimated that a general decrease/increase of 100 basis points in the interest rate of average balances of bank and other borrowings and bank balances during the year, with all other variables held constant, would increase/decrease the Group's profit before tax by approximately HK$25.4 million (2019: HK$20.9 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2019.

Price risk on financial assets at fair value

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 monitored the price risk periodically and will consider hedging the risk exposure should arise.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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% (2019: 10%) higher/lower while all other variables were held constant, the Group's post-tax profits/(losses) for the year would be increased/decreased by HK$699,000 (2019: HK$18,390,000) due to change in the fair value of financial assets at FVTPL, respectively.

Credit risk and impairment assessment

The Group is exposed to credit risk arising from its natural gas refuelling station operation, trading and distribution of natural gas operation, direct supply to industrial users operation and city gas, pipeline construction and value-added service operation. Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on individual customer's past history of making payments when they fall due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Various companies have different credit policies, depending on markets and businesses in which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. Normally, the Group does not obtain collateral from customers.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	440,427	440,427
Contract assets	–	–	–	52,557	52,557
Deposits paid for acquisition of subsidiaries					
- Normal**	–	511,262	–	–	511,262
- Doubtful**	–	–	696,043	–	696,043
Deposits for acquisition of property, plant and equipment					
- Normal**	–	27,353	–	–	27,353
- Doubtful**	–	–	49,598	–	49,598
Financial assets included in prepayments, deposits and other receivables					
– Normal**	145,130	119,998	–	–	265,128
– Doubtful**	–	–	577,203	–	577,203
Pledged deposits					
– Not yet past due	46,993	–	–	–	46,993
Cash and cash equivalents					
– Not yet past due	705,408	–	–	–	705,408
	897,531	658,613	1,322,844	492,984	3,371,972

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging **(Continued)**

At 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	–	–	–	408,592	408,592
Contract assets	–	–	–	46,606	46,606
Deposits paid for acquisition of subsidiaries					
– Normal**	772,178	–	–	–	772,178
– Doubtful**	–	–	–	–	–
Deposits for acquisition of property, plant and equipment					
– Normal**	77,151	–	–	–	77,151
– Doubtful**	–	–	–	–	–
Financial assets included in prepayments, deposits and other receivables					
– Normal**	629,935	–	–	–	629,935
– Doubtful**	–	–	–	–	–
Cash and cash equivalents					
– Not yet past due	542,298	–	–	–	542,298
	2,021,562	–	–	455,198	2,476,760

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables are considered as "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

Details of the impairment assessment performed, including financial assets, by the New Board, during the year ended 31 December 2020 are disclosed in notes 2.3 and 2.4 to the financial statements.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow.

The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains an appropriate level of liquid assets and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Details of the Group's liquidity situation are disclosed in note 2.2 to the financial statements.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2020 and 2019. 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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 2020						
Trade and bills payables	**357,054**	**–**	**–**	**–**	**357,054**	**357,054**
Other payables	**228,323**	**–**	**–**	**–**	**228,323**	**228,323**
Amounts due to associates	**4,411**	**–**	**–**	**–**	**4,411**	**4,411**
Amounts due to joint ventures	**151,341**	**16,963**	**–**	**–**	**168,304**	**168,304**
Lease liabilities	**4,255**	**2,474**	**2,861**	**3,612**	**13,203**	**12,235**
Bank and other borrowings	**3,433,152**	**36,349**	**63,610**	**–**	**3,533,111**	**3,518,449**
	4,178,536	**55,786**	**66,471**	**3,612**	**4,304,406**	**4,288,776**

	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	446,495	–	–	–	446,495	466,495
Convertible bonds	373,412	–	–	–	373,412	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
	3,110,789	367,159	251,728	4,239	3,753,915	3,622,727

As disclosed in notes 2.2 and 32 to the financial statements, bank and other loans with aggregate carrying amount of HK$1,412 million as at 31 December 2020 has been reclassified to current liabilities due to the breach of debt covenants based on the financial information of the Group for the year ended 31 December 2020.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Details of the going concern situation of the Group and the current measures taken by the New Board are included in note 2.2 to the financial statements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a leverage ratio, which is total borrowings divided by the total assets. Total borrowings includes total bank and other borrowings and convertible bonds. The leverage ratio as at the end of the reporting period is as follows:

	2020	2019
	HK$'000	*HK$'000*
Bank and other borrowings	**3,518,449**	2,485,921
Convertible bonds	**–**	373,412
Total borrowings	**3,518,449**	2,859,333
Total assets	**5,473,291**	8,657,336
Leverage ratio	**64.3%**	33.0%

46. COMPARATIVE AMOUNTS

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

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 *HK$'000*	2019 *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	–	2
Prepayments and other receivables	802	45,800
Investment in subsidiaries	1,907,006	5,684,627
Financial assets at FVTOCI	–	9,591
Total non-current assets	1,907,808	5,740,020
CURRENT ASSETS		
Other receivables	175,024	452,609
Amounts due from subsidiaries	213,685	1,107,331
Amounts due from joint ventures	13,318	13,151
Financial assets at FVTPL	1,153	218,743
Cash and bank balances	63,835	40,413
Total current assets	467,015	1,832,247
CURRENT LIABILITIES		
Other payables	55,979	7,663
Amounts due to subsidiaries	199,664	150,607
Convertible bonds	–	373,412
Bank and other borrowings	3,311,701	2,140,394
Total current liabilities	3,567,344	2,672,076
NET CURRENT LIABILITIES	(3,100,329)	(839,829)
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,192,521)	4,900,191
NON-CURRENT LIABILITIES		
Bank and other borrowings	40,000	291,331
Net assets/(deficiency of assets)	(1,232,521)	4,608,860
EQUITY		
Share capital	714,236	714,236
Reserves *(note)*	(1,946,757)	3,894,624
Total equity	(1,232,521)	4,608,860

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement of the reserves

	Share premium *HK$'000*	Share option reserve *HK$'000*	FVTOCI reserve *HK$'000*	Merger reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 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 income/(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)
Recognition of equity-settled share-based payments	–	528	–	–	–	–	528
Transfer to accumulated profits upon forfeiture of share options	–	(6,601)	–	–	–	6,601	–
	–	(6,073)	(6,429)	–	(11,418)	6,601	(17,319)
At 31 December 2019 and 1 January 2020	4,270,611	4,077	(10,840)	(43,048)	(59,390)	(266,786)	3,894,624
Loss for the year	–	–	–	–	–	(5,831,790)	(5,831,790)
Other comprehensive income/(loss)							
Equity investments at fair value through other comprehensive income:							
Write-off of assets	–	–	7,620	–	–	(17,211)	(9,591)
Transfer to accumulated profits upon forfeiture of share options	–	(3,954)	–	–	–	3,954	–
	–	(3,954)	7,620	–	–	(13,257)	(9,591)
At 31 December 2020	4,270,611	123	(3,220)	(43,048)	(59,390)	(6,111,833)	(1,946,757)

48. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 30 September 2021.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	633,776	1,451,140	2,148,480	2,676,129	**1,463,102**
Profit/(loss) before taxation	85,673	9,606	259,188	97,038	**(3,917,228)**
Income tax (expense)/credit	(378)	(5,791)	2,328	(23,168)	**110,826**
Profit/(loss) for the year	85,295	3,815	261,516	73,870	**(3,806,402)**
Attributable to:					
Owners of the Company	99,876	(12,489)	260,657	(10,871)	**(3,716,327)**
Non-controlling interests	(14,581)	16,304	859	84,741	**(90,075)**
	85,295	3,815	261,516	73,870	**(3,806,402)**
(Loss)/earnings per share					
Basic (in HK cents)	1.28	(0.13)	2.27	(0.08)	**(28.62)**
Diluted (in HK cents)	1.27	(0.32)	2.09	(0.08)	**(28.62)**

ASSETS AND LIABILITIES

	At 31 December				
	2016	2017	2018	2019	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	4,289,079	5,939,563	8,228,330	8,657,336	**5,473,291**
Total liabilities	(1,013,385)	(2,529,655)	(3,114,934)	(4,086,259)	**(4,663,130)**
	3,275,694	3,409,908	5,113,396	4,571,077	**810,161**
Equity attributable to owners of the Company	3,207,871	3,299,385	5,028,742	4,426,817	**749,902**
Non-controlling interests	67,823	110,523	84,654	144,260	**60,259**
	3,275,694	3,409,908	5,113,396	4,571,077	**810,161**