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 2021

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CORPORATE INFORMATION

(as at 19 April 2022)

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 Director

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

Independent Non-executive Directors

Mr. Cui Yulei
Ms. Hsu Wai Man, Helen
Mr. Xu Jianwen

COMMITTEE MEMBERS

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Executive Committee

Mr. Li Weiqi *(Chairman)*
Mr. Jin Qiang
Ms. Yang Fuyan
Mr. Ye Hongjun

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

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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 and
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODE

6828

CHAIRMAN'S STATEMENT

Dear shareholders:

In 2021, Chinese economy was challenged by complicated international environment, century-rare pandemic and extreme weather conditions; under the multiple pressures, Chinese economy was still leading the world, macroeconomic fundamentals maintained stable and positive, clean energy market maintained positive growth. In the year, Chinese national natural gas consumption reached 372.6 billion cubic meters, a year-on-year growth of 12.7%.

The year 2021 is the starting year of the "14th Five-Year Plan", also the fully starting year of the Chinese goals of "carbon peaking and carbon neutrality", that is, to reach carbon peaking by 2030 and reach carbon neutrality by 2060. In order to further improve green development, realize the "carbon peaking and carbon neutrality" goals, secure and ameliorate the people's life quality, in 2021, the State Council published the Opinions to Completely, Accurately and Fully Implement the New Development Philosophy for Carbon Peaking and Carbon Neutrality (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) and the Action Plan of Carbon Peaking by 2030 (《2030年前碳達峰行動方案》), requiring to speed up the construction of a clean, low carbon safe, efficient energy system, to fully recognize the role and mission of energy industry in the carbon peaking and carbon neutrality; since the second half of 2021, international coal, oil and gas supply pressure is increasing, the prices are soaring, so the NDRC, the National Energy Administration and other authorities continue to deepen the construction of natural gas supply, storage and sales system, largely increase the gas storage capacity, and ensure the orderly and stable development of natural gas industry.

In 2021, under the sound leadership of the Board of Directors of the Group, entire employees of all companies under the Group are working hard together to overcome all difficulties, fully and deeply implement the decisions and deployments of the Group, specifically conduct risks sorting, functional optimization and adjustment, system building, staffing optimization, financial management improvement among a series of corporate governance works, as well as evidence investigation, internal control audit rectification, financial audit rectification among a series of special works, and make all efforts to solve existing risks and strictly control incremental risks, and stabilize the fundamentals of the Group's operation and management.

In 2021, benefiting from global economic recovery and commodity market recovery from the historic demand collapse due to COVID-19, the Group recorded the full year revenue of HK$1.728 billion, a year-on-year growth of 18.1%; gas trade and distribution revenue increased by HK$181 million; the loss attributable to shareholders narrowed by 92.6%; and the Group's business operation was in normality as usual in all major respects.

Looking forward, the Group is still confident in natural gas industry. In February 2022, the NDRC and the NEA published the Opinions to Improve the Energy Green Low Carbon Transition Systems, Mechanisms, Policies and Measures (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》), again emphasizing the importance of furthering energy green transformation. The Group will actively respond to national call, take the opportunity of "carbon peaking and carbon neutrality" goals, enhance risk and compliance control, fully promote the relisting progress, and make all efforts to create social values.

In the end, on behalf of the Board of the Group, we extend the sincere gratitude to all shareholders, customers, employees and partners who are understanding and supporting this Group always.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2021, the global economy is expected to maintain a moderate recovery trend, and the fundamental of long-term sound growth of China's economy remains unchanged, but economic development is under pressure. For long-term development, natural gas development in China still faces challenges, such as insufficient resources, high import costs and insufficient independent ability of gas turbine core technology. According to the data of the National Bureau of Statistics and the Customs of the People's Republic of China, natural gas production in China in 2021 was 205.3 billion cubic meters, increased by 8.2% on a year-on-year basis; the apparent consumption of natural gas was 372.6 billion cubic meters, increased by 12.7% on a year-on-year basis; the import volume of natural gas was 167.5 billion cubic meters (121.36 million tons), increased by 19.9% on a year-on-year basis, of which the import volume of LNG was 108.9 billion cubic meters (78.93 million tons), accounting for 65% of the total import volume of natural gas.

According to the Guiding Opinions on Energy Work issued by National Energy Administration at the beginning of 2021, it was clearly proposed that the natural gas production of China in 2021 would reach about 202.5 billion cubic meters, and the actual production was 205.3 billion cubic meters, exceeding the target value of 2.8 billion cubic meters. Meanwhile, the actual consumption of 372.6 billion cubic meters also exceeded the prediction upper limit of "Natural gas consumption in China's will reach 365 billion ~ 370 billion cubic meters" in the China Natural Gas Development Report (2021) issued by National Energy Administration. Compared with coal reserves, natural gas is not an advantageous resource of China. With the goal of Peak Carbon Dioxide Emissions and Carbon Neutrality, natural gas plays an increasingly prominent role as a "bridge" in green and low-carbon energy transformation of China. China Natural Gas Development Report (2021) issued by National Energy Administration on 21 August 2021 pointed out to "Promote the green and low-carbon transformation of energy, orderly expand the scale of natural gas utilization in industry, construction, transportation, and electric power, etc., help Peak Carbon Dioxide Emissions, and build a clean, low-carbon, safe and efficient energy system". It is expected that domestic natural gas will still be in the growth stage by 2035. From the perspective of the global market, the strategic position of natural gas resources has gradually increased, and the international competition for natural gas resources has become increasingly fierce in recent years. The recent further escalation of the Russian-Ukrainian crisis has brought greater uncertainty to the global natural gas market, which may reach a state of tight balance.

BUSINESS REVIEW

For the year ended 31 December 2021 ("FY2021"), as the world economy began to rebound, the global market demand for natural gas increased. In China, domestic demand for natural gas also grew rapidly in the context of "carbon neutrality" and "coal-to-gas" goals. During the Group's FY2021, revenue was HK$1,728.0 million (FY2020: HK$1,463.1 million), representing an increase of 18.1% as compared to last year, which was primarily due to (i) increase in the trading and distribution of natural gas by HK$181.1 million; (ii) the global economy and commodity market recovered from the historic collapse in demand caused by COVID-19; and (iii) increase of realised price and business volume. The Group's gross profit decreased from HK$155.2 million for FY2020 to HK$119.3 million for FY2021. The Group's gross profit margin was 6.9% for FY2021 (FY2020: 10.6%), also representing a decrease as compared to last year, primarily due to (i) lower gross profit and gross profit margin because of decrease in connection projects; and (ii) the continuing high natural gas price in FY2021, resulting in a squeeze of gross profit. For FY2021, the Group's total gas sales and treatment volume decreased by 21.7% from last year to approximately 5,214.0 million cubic meters (FY2020: 6,659.1 million cubic meters), of which the gas sales from the Company's subsidiaries for FY2021 amounted to 688.6 million cubic meters, and the gas sales and treatment volume from the associates of the Group amounted to 4,514.4 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. For FY2021, the finance costs were HK$132.3 million, representing a decrease of 32.3% as compared to the corresponding period of last year (FY2020: HK$195.5 million). Net loss in FY2021 was HK$278.6 million (FY2020: HK$3,806.4 million), representing a decrease of 92.7% as compared to last year, where net loss for FY2020 was primarily due to the one-off non-recurring impairment of assets arising from the results of forensic investigation in prior year.

As at 31 December 2021, the Group's natural gas projects covered a total of 17 provinces, cities and autonomous regions in the PRC, namely Liaoning, Jilin, Hebei, Beijing, Shandong, Shanxi, Shaanxi, Ningxia Autonomous Region, Shanghai, Jiangsu, Anhui, Zhejiang, Guizhou, Hubei, Guangdong, Guangxi Autonomous Region and Hainan.

The Group's major natural gas projects:

	Project Name	Project Location	LNG/CNG refueling station			City gas		Direct supply		Trading and distribution		Subtotal		LNG throughout				Subtotal		Total	
			January to December 2021 No. of station	January to December 2021 Sales volume (m³)	Sales volume (%)	January to December 2021 Sales volume (m³)	Sales volume (%)	January to December 2021 Sales volume (m³)	Sales volume (%)	January to December 2021 Sales volume (m³)	Sales volume (%)	January to December 2021 Subtotaled sales volume (m³)	Subtotaled sales volume (%)	January to December 2021 Gasification volume (m³)	Gasification volume (%)	January to December 2021 Unloading volume (m³)	Unloading volume (%)	January to December 2021 Subtotaled throughout (m³)	Subtotaled throughout (%)	January to December 2021 Total volume (m³)	Total volume (%)
Subsidiaries	Liaoning Benxi	Liaoning Province	1	22,300	0.0%	4,542,500	3.3%	-	0.0%	-	0.0%	4,564,800	0.6%	-	0.0%	-	0.0%	-	0.0%	4,564,800	0.1%
	Shandong Tengzhou	Shandong Province	1	722,876	1.3%	-	0.0%	-	0.0%	4,503,646	1.0%	5,226,522	0.7%	-	0.0%	-	0.0%	-	0.0%	5,226,522	0.1%
	Shandong Beilan	Shandong Province	-	-	0.0%	-	0.0%	-	0.0%	13,869,800	3.0%	13,869,800	1.8%	-	0.0%	-	0.0%	-	0.0%	13,869,800	0.3%
	Guizhou Liupanshui	Guizhou Province	1	3,000,200	5.5%	-	0.0%	-	0.0%	-	0.0%	3,000,200	0.4%	-	0.0%	-	0.0%	-	0.0%	3,000,200	0.1%
	Guangdong Xin Te	Guangdong Province	-	-	0.0%	-	0.0%	24,736,025	22.6%	11,357,024	2.5%	36,093,049	4.7%	-	0.0%	-	0.0%	-	0.0%	36,093,049	0.7%
	Anhui Zheng Weili	Anhui Province	-	-	0.0%	-	0.0%	-	0.0%	62,634,754	13.6%	62,634,754	8.2%	-	0.0%	-	0.0%	-	0.0%	62,634,754	1.2%
	Anhui Beijing Gas	Anhui Province	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Hainan Xinyuan	Hainan Province	5	6,550,642	12.0%	-	0.0%	3,070,228	2.8%	211,400	0.0%	9,832,270	1.3%	-	0.0%	-	0.0%	-	0.0%	9,832,270	0.2%
	Hainan Hong Defeng	Hainan Province	-	-	0.0%	-	0.0%	3,909,920	3.6%	763,924	0.2%	4,673,844	0.6%	-	0.0%	-	0.0%	-	0.0%	4,673,844	0.1%
	Beijing Beilan	Beijing	-	-	0.0%	-	0.0%	-	0.0%	36,350,090	7.9%	36,350,090	4.8%	-	0.0%	-	0.0%	-	0.0%	36,350,090	0.7%
	Ningbo Beilun	Zhejiang Province	-	-	0.0%	-	0.0%	12,916,082	11.8%	18,265,716	4.0%	31,181,798	4.1%	-	0.0%	-	0.0%	-	0.0%	31,181,798	0.6%
	Zhejiang Huzhou	Zhejiang Province	-	-	0.0%	-	0.0%	15,676,668	14.3%	212,769	0.0%	15,889,437	2.1%	-	0.0%	-	0.0%	-	0.0%	15,889,437	0.3%
	Zhejing Boxin	Zhejiang Province	-	-	0.0%	-	0.0%	49,130,060	44.9%	190,356,684	41.4%	239,486,744	31.4%	-	0.0%	-	0.0%	-	0.0%	239,486,744	4.6%
	Shaanxi Beijing Gas	Shaanxi Province	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-		-		-	0.0%
	Hebei Beilan	Hebei Province	-	-	0.0%	-	0.0%	-	0.0%	32,317,368	7.0%	32,317,368	4.2%	-	0.0%	-	0.0%	-	0.0%	32,317,368	0.6%
	Jilin Songyuan	Jilin Province	2	1,667,600	3.1%	38,072,500	27.7%	-	0.0%	-	0.0%	39,740,100	5.2%	-	0.0%	-	0.0%	-	0.0%	39,740,100	0.8%
	Shanxi Minsheng	Shanxi Province	5	1,602,100	2.9%	73,259,800	53.3%	-	0.0%	-	0.0%	74,861,900	9.8%	-	0.0%	-	0.0%	-	0.0%	74,861,900	1.4%
	Yongji Minsheng	Shanxi Province	2	1,700,000	3.1%	21,668,100	15.8%	-	0.0%	-	0.0%	23,368,100	3.1%	-	0.0%	-	0.0%	-	0.0%	23,368,100	0.4%
	Guangxi Beilan	Guangxi Province	-	-	0.0%	-	0.0%	30,464	0.0%	6,703,452	1.5%	6,733,916	0.9%	-	0.0%	-	0.0%	-	0.0%	6,733,916	0.1%
	Ningxia Beilan	Ningxia Hui Autonomous Region	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Shanghai Wan Xin	Shanghai	-	-	0.0%	-	0.0%	-	0.0%	48,782,468	10.6%	48,782,468	6.4%	-	0.0%	-	0.0%	-	0.0%	48,782,468	0.9%
			17	15,265,718	28.0%	137,542,900	100.0%	109,469,447	100.0%	426,329,095	92.7%	688,607,160	90.3%	-	0.0%	-	0.0%	-	0.0%	688,607,160	13.2%
Associates	Hainan Zhongyou Jiarun	Hainan Province	2	85,606	0.2%	-	0.0%	-	0.0%	2,525,695	0.5%	2,611,301	0.3%	-	0.0%	-	0.0%	-	0.0%	2,611,301	0.1%
	Hainan Dazhong	Hainan Province	7	28,246,545	51.7%	-	0.0%	-	0.0%	31,146,769	6.8%	59,393,315	7.8%	-	0.0%	-	0.0%	-	0.0%	59,393,315	1.1%
	Hefei Kunlun Energy	Anhui Province	3	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Hebei Jingtang	Hebei Province	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,333,503,050	100.0%	1,118,848,170	100.0%	4,452,351,220	100.0%	4,452,351,220	85.4%
			12	28,332,151	51.9%	-	0.0%	-	0.0%	33,672,464	7.3%	62,004,616	8.1%	3,333,503,050	100.0%	1,118,848,170	100.0%	4,452,351,220	100.0%	4,514,355,836	86.6%
Joint Ventures	Wuhan Zheng Weili	Hubei Province	-	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
	Hubei Huanggang	Hubei Province	-	11,006,400	20.2%	-	0.0%	-	0.0%	-	0.0%	11,006,400	1.4%	-	0.0%	-	0.0%	-	0.0%	11,006,400	0.2%
				11,006,400	20.2%	-	0.0%	-	0.0%	-	0.0%	11,006,400	1.4%	-	0.0%	-	0.0%	-	0.0%	11,006,400	0.2%
			29	54,604,269	100.0%	137,542,900	100.0%	109,469,447	100.0%	460,001,559	100.0%	761,618,174	100.0%	3,333,503,050	100.0%	1,118,848,170	100.0%	4,452,351,220	100.0%	5,213,969,394	100.0%

* *As at 31 December 2021, the Group had a total of 29 refueling stations.*

Development and Operation of City Gas Business

During FY2021, 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 33,087 new users and the accumulated number of users reached 420,000, of which 32,865 were new residential users and the accumulated number of residential users reached 420,000. The volume of natural gas sold by the Group to residential users amounted to 67.6 million cubic meters (FY2020: 64.0 million cubic meters). The Group secured 212 new industrial and commercial users and the accumulated industrial and commercial users reached 1,897, and the natural gas sold to industrial and commercial users reached 65.4 million cubic meters (FY2020: 68.4 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$602.1 million (FY2020: HK$639.5 million), which included a connection fee income of HK$133.7 million (FY2020: HK$122.7 million), representing a decrease of 5.8% 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$494.7 million from its direct supply to industrial users business, representing an increase of 36.8% as compared to last year (FY2020: HK$361.7 million), and sold 109.5 million cubic meters (FY2020: 130.9 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 2021, 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 CNOOC's Ningbo receiving terminal in the Eastern China respectively. The Group recorded a total trading volume of 426.3 million cubic meters (FY2020: 133.1 million cubic meters) and segment sales amount in trading and distribution business of HK$583.4 million (FY2020: HK$402.3 million).

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 FY2021, the Group owned 29 gas refueling stations, including 17 CNG refueling stations and 12 LNG refueling stations (FY2020: 26 gas refuelling stations, including 16 CNG refueling stations and 10 LNG refueling stations), with gas sales of 15.3 million cubic meters (FY2020: 12.3 million cubic meters) and sales income of HK$47.8 million (FY2020: HK$59.7 million), representing a decrease of 19.8% as compared to last year, mainly because demand from transportation industry was 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 FY2021, the total throughput volume of Petrochina Jingtang (Caofeidian Jingtang LNG Receiving Terminal) project reached 4,452.4 million cubic meters (FY2020: 6,236.1 million cubic meters), among which, the gas volume externally delivered to the pipelines through gasification was 3,333.5 million cubic meters (FY2020: 4,679.8 million cubic meters), while the gas transportation volume of tank trucks was 1,118.9 million cubic meters (FY2020:1,556.3 million cubic meters), representing a significant decrease as compared to 2020, which was mainly because the receiving terminal adjusted its gas supply strategy based on market changes and the transportation volume of LNG tanks decreased.

FUTURE PROSPECTS

2021 marks the start of China's 14th Five-Year Plan. The goal of "peak carbon dioxide emissions and carbon neutrality" has attracted wide attention. As a clean, efficient and safe energy with stable supply, natural gas plays an important role in the domestic transformation of energy structure. 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. With implementation of the policy of "liberalizing production and retail and controlling transmission and distribution", further steps and the further implementation of the policy of "upstream diversification" by China Oil and Gas Pipeline Network Corporation ("Pipe China"), 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. In 2022, with the further recovery of the economic environment, the successive introduction of policies regarding energy utilization reform and clean environmental protection across the country, the steady implementation of the policy of "coal-to-gas" and the launch of national carbon trading market, the natural gas demand will be further increased.

In terms of operation, since Beijing Gas Group Co., Ltd ("Beijing Gas") assigned management personnel to the Group in 2020, the management and business capabilities of the Group have been continuously improved. The Group is proactively communicating with its 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. These will facilitate the Group to embark on further development and return its shareholders and investors with better performance. In 2022, the Group will continue to adhere to regulated management. It will adhere to the principle of cost-saving and efficiency-increasing and strictly control expenses to enhance the Group's overall profitability. The Group will 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. Meanwhile, the Group hopes to finalise its refinancing proposal as soon as practicable.

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 2022, 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.

Controlling shareholder provided full support to the Group

Since the assignment of management personnel by the controlling shareholder in 2020, the Group's management and business capability have been continuously enhanced. Under the leadership of the new session of the Board and management, the Group gradually adjusted its strategies for every specific period, comprehensively improved its internal management systems and procedures, and further optimised its financial structure. The Group also actively communicated with the controlling shareholder to seek assistance in various aspects, including but not limited to strategic cooperation, asset restructuring, financing arrangement and talent introduction.

FINANCIAL REVIEW

Revenue

Revenue increased by 18.1% from HK$1,463.1 million for the year ended 31 December 2020 to HK$1,728.0 million for the year ended 31 December 2021, which was mainly due to (i) increase in the trading and distribution of natural gas by HK$181.1 million; (ii) the recovery of the global economy and commodity market from the historic collapse in demand caused by COVID-19; and (iii) increase in realised price and total business volume.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$119.3 million for the year ended 31 December 2021 which decreased by HK$35.9 million from HK$155.2 million for the year ended 31 December 2020, which was mainly due to (i) decrease in connection projects; and (ii) the continuing high natural gas price for FY2021, resulting in a squeeze of profit. Segment results changed from a loss of HK$2,896.5 million for the year ended 31 December 2020 to a profit of HK$284.1 million for the year ended 31 December 2021, which was mainly due to impairment and write-off of assets in each segment in FY2020.

Loss before Interests, Tax, Depreciation and Amortisation

Loss before interests, tax, depreciation and amortisation decreased from HK$3,559.7 million for the year ended 31 December 2020 to HK$59.5 million for the year ended 31 December 2021, which was mainly due to the impairment and write-off of assets in FY2020.

Other Income and Gains, Net

Other income and gains, net decreased from HK$34.8 million for the year ended 31 December 2020 to HK$34.3 million for the year ended 31 December 2021, which was mainly due to the decrease in change in fair value of financial assets at fair value through profit and loss and net of foreign exchange difference by HK$0.5 million.

Operating expenses

(a) Administrative expenses

The administrative expenses decreased by 32.8% from HK$363.1 million for the year ended 31 December 2020 to HK$244.0 million for the year ended 31 December 2021. It was mainly due to (i) decrease in bond commission of HK$49.7 million; (ii) decrease in depreciation of HK$21.8 million; (iii) decrease in PRC duties and taxes of HK$21.5 million; (iv) decrease in sundry expenses of HK$18.5 million; (v) decrease in transportation and travelling of HK$5.8 million; and (vi) decrease in staff costs of HK$7.2 million.

(b) Other expenses

Other expenses, net decreased from HK$254.5 million for the year ended 31 December 2020 to HK$124.9 million for the year ended 31 December 2021, 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 in FY2020.

(c) *Finance costs*

Finance costs decreased from HK$195.5 million for the year ended 31 December 2020 to HK$132.3 million for the year ended 31 December 2021 which was mainly due to the decrease in interest on convertible bonds by HK$33.7 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 2020 and 2021 respectively. Income tax expenses of HK$8.5 million (FY2020: Income tax credit of HK$110.8 million) for the year ended 31 December 2021 mainly represented the current taxation arising from the PRC subsidiaries of HK$11.0 million (FY2020: current taxation of HK$33.5 million and deferred taxation of HK$184 million). For the year ended 31 December 2020, 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$275.4 million for the year ended 31 December 2021, representing a decrease by HK$3,440.9 million.

(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, decreased from HK$3.82 billion for the year ended 31 December 2020 to HK$296.9 million for the year ended 31 December 2021. It was resulted by the impairment and write-off assets and financial assets in FY2020, 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 for 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 in FY2020.

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

"We do not express an opinion on the accompanying consolidated financial statements of the Group, because of the significance of the matters 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 the consolidated financial statements. In all other aspects, in our opinion, 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 112 to 122 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. Equity interests held by third parties

The Board 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 the Relevant Companies by the Nominees for the Company. The Board 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 for by the Company as the Group had no control or significant influence over the Unacquired Relevant Companies.

The Board and the Special Committee continued to investigate the matter subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020 and certain additional Unacquired Relevant Companies had been identified. Despite that the Group had been in negotiation with the Nominees to dissociate the Service Agreements with the Group, the Group was unable to reach an agreement with the Nominees.

2. Related party transactions

As set out in the auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, in respect of Group's related party transactions as (i) the Group did not have a clear internal control mechanism in respect of related party transactions; and (ii) 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").

To address this audit issue, the Group implemented new internal control policies and mechanism for the Group's related party transactions, including but not limited to, identification of related parties, preparation and regular updates on the list of related parties, pricing policies and terms of contracts, regular reconciliation of transactions and balances with related parties, etc by the Group in December 2021.

3. Matters relating to opening balances and accounting treatment adopted by the Group during the year ended 31 December 2021

(a) Deposits paid for acquisition of 51% equity interest in Tangshan Huapu

The Board was in negotiation with the then sole shareholder (the "Tangshan Huapu Original Shareholder") on the final consideration to be payable by the Group 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 carrying amount of deposits paid for the acquisition of the 51% of equity interest of Tangshan Huapu included in the "Deposits paid for the acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020 amounted to HK$86 million (after impairment adjustments).

To address this audit issue, the Group completed the due diligence work on Tangshan Huapu and continued to negotiate with the Tangshan Huapu Original Shareholder on the final consideration for the acquisition. The Board eventually resolved to cease the acquisition due to the business risk of Tangshan Huapu and the failure to reach an agreed consideration with the Tangshan Huapu Original Shareholder. The Board considered that it is unlikely to recover the deposits paid by the Group and thus impairment loss of HK$90.0 million (which is the carrying amount of deposits after exchange realignment adjustment) was recognised during the year.

(b) Provision for potential liability

In respect of the Litigation against Benxi Liaoyou, a 90% held subsidiary of the Company, the Claimant is claiming for the payment of RMB106.0 million (equivalent to approximately HK$130.7 million) against the Group in relation to two lease contracts: (i) the CM Finance Lease, which was entered in 2016 between Benxi Liaoyou and Huai'an Zhongyou (a company with 67.9% of equity interest held by the non-controlling shareholder of Benxi Liaoyou) (as lessees) with CMIFLCL (as lessor); and (ii) the CITIC Finance Lease, which was entered in 2017 between CMIFLCL (as lessee) and the Claimant (as lessor).

The Group has engaged PRC legal advisers to handle the Litigation and from the evidence provided by the Claimant to the Court and other information gathered by the Group, the Board suspects that the CM Finance Lease was entered into by Benxi Liaoyou without the approval of the then board of Benxi Liaoyou or the Company. Also, despite that the CM Finance Lease was entered into by Benxi Liaoyou and Huai'an Zhongyou as the lessees under the CM Finance Lease, the leased assets appeared to be used by Huai'an Zhongyou and the amounts advanced by CM Finance Lease were directly paid to parties not related to Benxi Liaoyou and which appeared to have business relationship with Huai'an Zhongyou.

To address this audit issue, the Group engaged an external valuer to perform an estimation of the potential liability to be borne by the Group. Based on the estimation, an expense of HK$79.7 million was recognised by the Group during the year with the same amount was included in the "Provision for Liability" in the consolidated statement of financial position as at 31 December 2021.

(c) Investment in Qian Tang

In respect of the 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, due to a dispute with the new holder of the 35% equity interest of Qian Tang (the "New JV Partner"), the Group was unable to control the business, financial and operational matters of Qian Tang (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 prior years.

To address this audit issue, legal action had been taken by the Group against the New JV Partner for keeping, among others, the company chop, legal representative chop, business license and financial records of Qian Tang. The local court has accepted the case but the trail is not yet started up to the date approval of the financial statements since the New JV Partner refused to accept the summons. In January 2022, the Group also applied for preservation of, among others, the company chop, legal representative chop and business license of Qian Tang before the trail and in late January 2022, the court issued an order and prohibit the New JV Partner to use the aforesaid chops and business license of Qian Tang. However, despite the court order, the New JV Partner has yet to return the aforesaid chops and business license to the Group.

According to the legal opinion issued by the Group's PRC legal advisor, the Group is having sufficient legal grounds to request the New JV Partner to return, among others, the company chop, legal representative chop and business license to the Group. In the view of the Board, this indicates that the Group is able to control the Relevant Activities of Qian Tang through shareholders' meeting and the eventual control over the composition of the board of directors of Qian Tang according to the current articles of association and PRC law. The Board reclassified Qian Tang from a joint venture to a subsidiary of the Group starting from 31 December 2021.

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

In respect of the price purchase allocation for certain of the acquisitions in prior years, 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 Group engaged an external professional valuer to reperform the valuation of the fair value of intangible assets (operating concessions) arising from certain significant acquisitions in prior years. Based on the results of the valuations, the management noted that the goodwill and intangible asset (operating concession) amounts, the related deferred tax liabilities arose and the amounts attributable to the non-controlling interests recognised for certain of the PPAs had been misstated at initial recognition. The management corrected the errors in the current year's consolidated financial statements with no restatement to the comparative amounts. A third statement of financial position as at 1 January 2020 was also not presented in the current year's consolidated financial statements.

5. Corresponding figures

(a) Impairment losses/write-off of assets 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 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.

(b) Revenue from the trading of goods for the year ended 31 December 2020

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.

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. The internal control mechanism was established by the end of November 2021.

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

To address this audit issue, the Group will continue to discuss with the major shareholder for completion of the asset injection and successfully obtaining a loan. Moreover, the Group will take appropriate actions for successful resumption of trading of the Company's shares. The Group will also continue to negotiate with the potential lenders regarding the agreement and related documents of the refinancing plan, which is expected to be executed and delivered on or before 30 June 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.

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$230.9 million as at 31 December 2021 (31 December 2020: HK$705.4 million), a decrease by 67.3% from 31 December 2020. In addition, the Group had restricted cash and pledged deposits of HK$519.1 million as at 31 December 2021 (31 December 2020: HK$47.0 million).

The Group had total borrowings of HK$3,579.7 million as at 31 December 2021 (31 December 2020: HK$3,518.4 million). The Group's leverage ratio, which is total borrowings divided by the total assets was 68.4% (2020: 64.3%)

The Group's non-current assets decreased to HK$3,688.2 million (31 December 2020: HK$3,785.7 million), primarily due to the decrease in (i) deposits for acquisition of subsidiaries by HK$151.8 million; (ii) intangible assets by HK$352.0 million; and (iii) investments in joint ventures by HK$170.1 million and partially offset by the increase in (i) goodwill by HK$340.5 million and (ii) investments in associates by HK$228.0 million; and (iii) prepayment, deposits and other receivables by HK$4.3 million.

As at 31 December 2021, the Group's current assets amounted to HK$1,547.9 million (31 December 2020: HK$1,687.6 million), comprised trade receivables HK$160.7 million (31 December 2020: HK$249.3 million); cash and bank balances of HK$230.9 million (31 December 2020: HK$705.4 million); restricted cash and pledged deposits of HK$519.1 million (31 December 2020: HK$47.0 million); amounts due from joint ventures of HK$70.0 million (31 December 2020: HK$41.8 million); inventories of HK$15.3 million (31 December 2020: HK$18.4 million); contract assets of HK$26.0 million (31 December 2020: HK$52.6 million); financial assets at fair value through profit or loss of HK$17.7 million (31 December 2020: HK$7.1 million); prepayments, deposits and other receivables of HK$506.2 million (31 December 2020: HK$564.9 million) and amounts due from associates of HK$2.0 million (31 December 2020: HK$1.2 million).

As at 31 December 2021, the Group's current liabilities amounted to HK$4,413.4 million (31 December 2020: HK$4,379.2 million), comprised bank and other borrowings of HK$3,486.4 million (31 December 2020: HK$3,364.8 million); other payables and accruals of HK$472.0 million (31 December 2020: HK$497.0 million); trade and bills payables of HK$294.4 million (31 December 2020: HK$357.1 million); provision for liability of HK$79.7 million (31 December 2020: Nil); lease liabilities of HK$9.3 million (31 December 2020: HK$4.6 million); amounts due to joint ventures of HK$70.2 million (31 December 2020: HK$151.3 million); and amounts due to associates of HK$1.5 million (31 December 2020: HK$4.4 million).

As at 31 December 2021, the net current liabilities of the Group amounted to HK$2,865.5 million (31 December 2020: HK$2,691.5 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 0.35 as at 31 December 2021 (31 December 2020: 0.39).

The Group's net liability ratio (expressed as net borrowings, including bank and other borrowings less cash and bank balances, divided by total equity), was 477.7% as at 31 December 2021 (31 December 2020: 347.2%).

During the year ended 31 December 2021, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

The Group's employees are based in Hong Kong and the PRC. As at 31 December 2021, the Group had 934 (31 December 2020: 1,052) employees. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses 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 2021, the bank borrowings of approximately HK$24,515,000 (2020: HK$23,831,000) were secured by certain right-of-use assets and property, plant and equipment of the Group with total carrying amounts of approximately HK$22,387,000 (2020: HK$9,000,000), 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$2,909,603,000 (2020: HK$2,581,902,000) were unsecured. The Group's secured bank borrowings were secured by the Group's bank balances of HK$497,036,000 (2020: HK$46,993,000) as at 31 December 2021.

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 2021, 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 2021.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Weiqi ("Mr. Li"), aged 47, 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 52, 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 47, 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 54, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Yulei ("Mr. Cui"), aged 44, 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 52, has been appointed as an independent non-executive Director since 6 July 2020. She is also the chairman 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.

Mr. Xu Jianwen ("Mr. Xu"), aged 41, has been appointed as an independent non-executive Director since 1 February 2022. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Xu obtained a Bachelor's Degree in Laws from the Sun Yat-Sen University in June 2005, and a Master's Degree of Common Law from the University of Hong Kong in November 2007. He has extensive work experience in the financial industry. He worked in several financial institutions, including China Merchants Securities (HK) Co., Limited, China Securities (International) Finance Holding Company Limited, Southwest Securities (HK) Financial Management Limited and Dongxing Securities (Hong Kong) Financial Holdings Limited, at which he is principally involved in the management in the aspects of legal, compliance and risk control. Mr. Xu is currently the chief executive officer of China Goldlink Capital Group Limited. Mr. Xu was also a non-executive director of Sansheng Holdings (Group) Co. Ltd. (stock code: 2183) from 11 May 2017 to 1 December 2021, which is listed on the Main Board of the Stock Exchange. Mr. Xu was awarded with the Legal Professional Qualification Certificate in the PRC in February 2009.

SENIOR MANAGEMENT

Mr. Wu Haipeng ("Mr. Wu"), aged 47, 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, and he was re-designated as the executive administrator of the Safety Management Committee on 10 February 2022. 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 and the chief executive officer of the investor relations department since 10 December 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 43, has been appointed as the Company Secretary of the Company since 16 January 2021 and has been the vice president of the Group since 25 May 2021. Ms. Chen is a practising solicitor in Hong Kong with extensive experience in legal and company secretarial matters.

Mr. Cai Jianfeng ("Mr. Cai"), aged 53, 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 46, 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 of 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 Listing Rules. The Group has adopted practices which meet the CG Code during FY2021.

Throughout FY2021, the Company has complied with the code provisions set out in the CG Code in force during the year, save for the deviation as disclosed below.

Code provisions A.6.7 and E.1.2

Pursuant to code provision A.6.7 of the CG Code in force during FY2021, independent non-executive Directors and non-executive Directors should also attend general meetings of the Company. Pursuant to code provision E.1.2 of the CG Code in force during FY2021, stipulates that the chairman of the Board should attend the annual general meeting. In FY2021, the Company held one annual general meeting and one special general meeting whereby only Ms. Hsu Wai Man Helen attended these two general meetings in person in Hong Kong.

Mr. Cheng Ming Kit (the then deputy chairman whose duties were suspended on 16 January 2021 and removed as non-executive Director and deputy chairman with effect from 29 November 2021) did not attend the two general meetings held during the year because he was under criminal compulsory measures imposed by the Beijing Municipal Public Security Bureau of the People's Republic of China.

Mr. Zhi Xiaoye (the chairman of the Board and a non-executive Director), Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Cui Yulei (all being independent non-executive Directors) did not attend the two general meetings held by the Company in FY2021 in person in Hong Kong due to travel restrictions imposed as a result of COVID-19. Nevertheless, the aforementioned non-executive Director and independent non-executive Directors attended the two general meetings via telephone conference. According to the Company's bye-laws, only physical attendances counted towards valid attendances at the general meetings and hence the aforementioned non-executive Director and independent non-executive Directors were not regarded as present at the two general meetings.

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 FY2021 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. Li Weiqi	14/14	–	–	–	20/20	0/2 (4)
Mr. Jin Qiang	14/14	–	–	–	20/20	0/2 (4)
Ms. Yang Fuyan	14/14	–	–	–	20/20	0/2 (4)
Mr. Ye Hongjun	14/14	–	–	–	20/20	0/2 (4)
Mr. Zhi Xiaoye	14/14	–	–	–	–	0/2 (4)
Mr. Cheng Ming Kit (2)	0/14	–	–	–	–	0/2
Mr. Lim Siang Kai (1)	14/14	6/6	1/1	1/1	–	0/2 (4)
Mr. Wee Piew (1)	14/14	6/6	1/1	1/1	–	0/2 (4)
Mr. Ma Arthur On-hing (3)	14/14	6/6	1/1	1/1	–	0/2 (4)
Mr. Cui Yulei	14/14	5/6	1/1	1/1	–	0/2 (4)
Ms. Hsu Wai Man Helen	14/14	6/6	1/1	1/1	–	2/2

Notes:

(1) Resigned on 29 November 2021.

(2) Duties suspended on 16 January 2021 and removed as non-executive Director and deputy chairman with effect from 29 November 2021.

(3) Resigned on 1 February 2022.

(4) According to the Company's bye-laws, only physical attendances counted towards valid attendances at the general meetings. Due to travel restrictions imposed as a result of COVID-19, the Director attended the two general meetings via telephone conference.

BOARD COMPOSITION

The Directors during FY2021 and up to the date of this report are as follows:

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 on 16 January 2021 and removed as non-executive Director and deputy chairman of the Board with effect from 29 November 2021)*

Independent Non-executive Directors
Mr. Lim Siang Kai *(Resigned on 29 November 2021)*
Mr. Wee Piew *(Resigned on 29 November 2021)*
Mr. Ma Arthur On-hing *(Resigned on 1 February 2022)*
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen *(Appointed on 1 February 2022)*

The biographical details of each of the current Directors are set out on pages 20 to 22 under the section headed "Biographies of Directors and Senior Management" of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number and gender of Directors upon effectiveness in decision making, is of the view that it has maintained a balanced composition of executive Directors and non-executive Directors which induce a strong independent element to the Board during FY2021. 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 FY2021, the Company has at all times complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of sufficient number of independent non-executive Directors and is having independent non-executive Directors with relevant professional qualifications or accounting or relating financial management expertise.

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

Appointment and Re-election of Directors

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

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

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

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

Mr. Cheng Ming Kit, being the then 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. His duties have been suspended since 16 January 2021 and removed as non-executive Director and deputy chairman of the Board with effect from 29 November 2021.

Mr. Lim Siang Kai, being the then 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. He resigned on 29 November 2021.

Mr. Ma Arthur On-hing, being the then 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. He resigned on 1 February 2022.

Mr. Wee Piew, being the then 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. He resigned on 29 November 2021.

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

All Directors will be subject to retirement by rotation and eligible for re-election 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

During FY2021 and as at the date of this report, Mr. Zhi Xiaoye acts as chairman of the Board and Mr. Li Weiqi, an executive Director, acts as the chief executive officer of the Company. The 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 FY2021, the Directors were provided with reading materials and training session on the relevant rules and regulatory updates.

Directors	Reading materials	Training session
Mr. Li Weiqi		✓
Mr. Jin Qiang		✓
Ms. Yang Fuyan		✓
Mr. Ye Hongjun		✓
Mr. Zhi Xiaoye		✓
Mr. Cheng Ming Kit (2)	✓	
Mr. Lim Siang Kai (1)	✓	
Mr. Wee Piew (1)	✓	
Mr. Ma Arthur On-hing (3)		✓
Mr. Cui Yulei		✓
Ms. Hsu Wai Man Helen		✓

Notes:

(1) Resigned on 29 November 2021.

(2) Duties suspended on 16 January 2021 and removed as non-executive Director and deputy chairman with effect from 29 November 2021.

(3) Resigned on 1 February 2022.

BOARD COMMITTEES

Executive Committee

The Executive Committee ("EC") during FY2021 and up to the date of this report comprises the following Directors:

Mr. Li Weiqi	*(Chairman)*
Mr. Jin Qiang	*(Member)*
Ms. Yang Fuyan	*(Member)*
Mr. Ye Hongjun	*(Member)*

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

During the Year, the EC held 20 meetings to handle the daily affairs of the Company.

Duties

The main duties of the EC are:

Handling and supervision of the day-to-day administration, management and operation of the Group.

Powers

The EC shall have powers as below:

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

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

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

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

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

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

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

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

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

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

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

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

10. To procure and accept borrowing facilities or loans;

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

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

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

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

Nomination Committee

The members of the Nomination Committee ("NC") during FY2021 and up to the date of this report comprises the following Directors:

Mr. Zhi Xiaoye	*(Chairman)*
Mr. Ma Arthur On-hing *(Resigned on 1 February 2022)*	*(Member)*
Mr. Lim Siang Kai *(Resigned on 29 November 2021)*	*(Member)*
Mr. Wee Piew *(Resigned on 29 November 2021)*	*(Member)*
Mr. Cui Yulei	*(Member)*
Ms. Hsu Wai Man Helen	*(Member)*
Mr. Xu Jianwen *(Appointed on 1 February 2022)*	*(Member)*

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

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

2. 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 FY2021, 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 2021 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 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 FY2021 and up to the date of this report comprises the following Directors:

Mr. Cui Yulei	*(Chairman)*
Mr. Ma Arthur On-hing *(Resigned on 1 February 2022)*	*(Member)*
Mr. Lim Siang Kai *(Resigned on 29 November 2021)*	*(Member)*
Mr. Wee Piew *(Resigned on 29 November 2021)*	*(Member)*
Ms. Hsu Wai Man Helen	*(Member)*
Mr. Xu Jianwen *(Appointed on 1 February 2022)*	*(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 FY2021, 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 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 FY2021 are set out in note 10 to the consolidated financial statements.

No emoluments were paid by the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration in FY2021.

Audit Committee

The Audit Committee ("AC") during FY2021 and up to the date of this report comprises the following Directors:

Ms. Hsu Wai Man Helen	*(Chairman)*
Mr. Ma Arthur On-hing *(Resigned on 1 February 2022)*	*(Member)*
Mr. Lim Siang Kai *(Resigned on 29 November 2021)*	*(Member)*
Mr. Wee Piew *(Resigned on 29 November 2021)*	*(Member)*
Mr. Cui Yulei	*(Member)*
Mr. Xu Jianwen *(Appointed on 1 February 2022)*	*(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. A member have accounting or related financial management expertise and experience.

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

For FY2021, 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 FY2021, 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 FY2021 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 and interim results for 2021 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.

Auditor's Remuneration

For the year ended 31 December 2021, Ernst & Young charged the Group of HK$7,800,000 for the provision of audit services and HK$5,664,000 for the provision of non-audit services. Non-audit services comprised advisory services of the internal control, tax advisory services and corporate and restructuring advisory services.

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 FY2021 set out on pages 124 to 243 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 D.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 2021, the current liabilities of the Group exceeded its current assets by approximately HK$2.9 billion. The Group's total bank and other borrowings as at 31 December 2021 amounted to HK$3.6 billion, including HK$2.2 billion due for repayment in 2022 according to the original repayment schedule of the respective loan agreements. In addition, HK$1.3 billion of bank and other borrowings due after 2022 were classified as current liabilities as at 31 December 2021 as events of defaults had been triggered for certain of the bank and other borrowings due to, among others, the suspension of trading of the Company's shares since 18 January 2021. Certain creditors had also demanded immediate repayment for the loans due by the Group. 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 have 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 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 refinancing arrangement, the possible asset injections from a major shareholder, 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 refinancing arrangement.

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 the Group other than equity investment;

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

(4) 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, as mentioned by the independent auditor in item 6 under the "Basis for Disclaimer of Opinion" in the Independent Auditor's Report of 2020, the Group did not have a clear internal control mechanism in respect of related party transactions. Accordingly, the Group has implemented the internal control mechanism in December 2021, 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.

As disclosed in the Company's announcements dated 16 July 2021, 29 September 2021 and 30 November 2021, the Company has engaged an internal control consulting firm as its internal control consultant to assist the management to conduct an assessment on the Group's internal control systems (the "Internal Control Assessment"). As at the date of this report, the Internal Control Assessment is completed. An announcement regarding the progress and results of the Internal Control Assessment was published on 19 April 2022.

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 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 FY2021.

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 FY2021 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") resigned as company secretary on 16 January 2021. Ms. Annie Chen ("Ms. Chen") was appointed as company secretary to replace Mr. Ko on the same date. Ms. Chen has taken no less than 15 hours of relevant professional training during FY2021. The biography of Ms. Chen is set out in the section headed "Biographies of Directors and Senior Management".

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

SHAREHOLDERS' RIGHTS

(i) Communications with the Company

The Company is committed in engaging constructive communication with its shareholders through a variety of channels, including through its corporate communications, website, general meetings and investor relations activities. Shareholders who wish to put enquiries to the Board may send communications to: The Board of Directors c/o Company Secretary or Investor Relations Department of the Company, 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 Stock Exchange 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 Board of Directors c/o Company Secretary or Investor Relations Department of the Company.

Shareholders desiring to request circulation of resolution for a general meeting should send the request in writing to the Company in due time before the meeting. If the matter to be considered requires a special notice, the proposed resolution must be given to the Company not less than 28 days before the general meeting at which it is moved. The Company will, in accordance with its obligations under the applicable laws and regulations, provide necessary information either in a supplementary circular or by way of an announcement and, if necessary, adjourn the relevant general meeting for informing all shareholders. 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 FY2021.

The Bye-laws are available through the Stock Exchange'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 issues an ESG report every year and this is the sixth ESG report published by the Group. The ESG report for the year ended 31 December 2020 (the "Year 2020") has been published in October 2021.

The Group believes that environmental protection, low carbon, conservation of resources and sustainable development are the prevail 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 implement corresponding measures in 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 2021 (the "Reporting Period", the "Year" or "Year 2021").

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").

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 to 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.

This Report also makes reference to the Global Reporting Initiative ("GRI") Standards published in 2021 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 sixth ESG report for the year ended 31 December 2021, and to review the sustainable development performances of the Group in corporate governance, environmental protection, employee care, service quality and community participation during the Year.

To mitigate climate change, the international community has taken a proactive stance to promote the development of clean energies, aiming at gradually phasing out fossil fuels. As a global leader in tackling climate change, China has played an important role in promoting low-carbon energy system. In October 2021, the Communist Party of China Central Committee and the State Council jointly released "Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy", fully demonstrating the nation's determination to promote green and low-carbon transformation and high-quality economic development. In addition, in line with promoting green economy development proposed in the 14th Five-Year Plan, natural gas will still be strongly supported by a number of national policies as a clean and environmentally friendly energy.

In order to implement the national strategy to promote the development of green economy, 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 non-hazardous waste emissions of business units under the reporting scope decreased by approximately 97%, total energy consumption decreased by approximately 33% and total water consumption decreased by approximately 50%.

Although the global economic activities continued to be lackluster and the performance in the natural gas market remained weak as a whole, which was affected by the COVID-19 in 2021, 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.

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 understands the concerns of stakeholders on the potential safety of the natural gas business, and ensures 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 trainings 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 the supply 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 through 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 one of the most feasible energy alternatives 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.

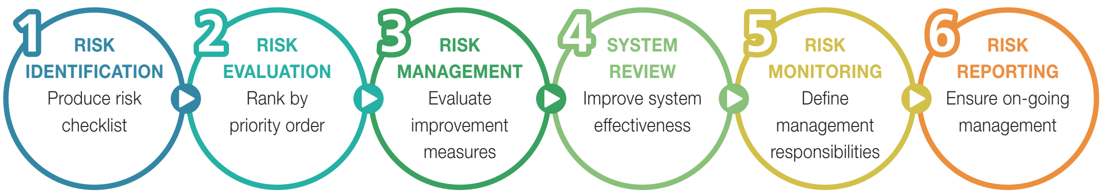
The content of sustainable development covers various areas of the Group's operations. To effectively incorporate the sustainability concept into our operations, the Board considered establishing an ESG committee with terms of reference in due course, to define its limits of authorities, work scope and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

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. Currently, the Group proactively improves its safety 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 as well as conduct regular safety inspection and staff safety training.



Through effective risk management and internal control systems, the Board identifies the material safety 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. Looking forward, the Group is further strengthening its internal control system, so that it could identify safety 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, creditors 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	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
		Actively cooperate with the government for spot check arrangements	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 2021 based on the Group's business development and results of the materiality assessment in Year 2020; 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 commitment".

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 the employees and the management's valid responses.

IDENTIFYING MATERIAL TOPICS

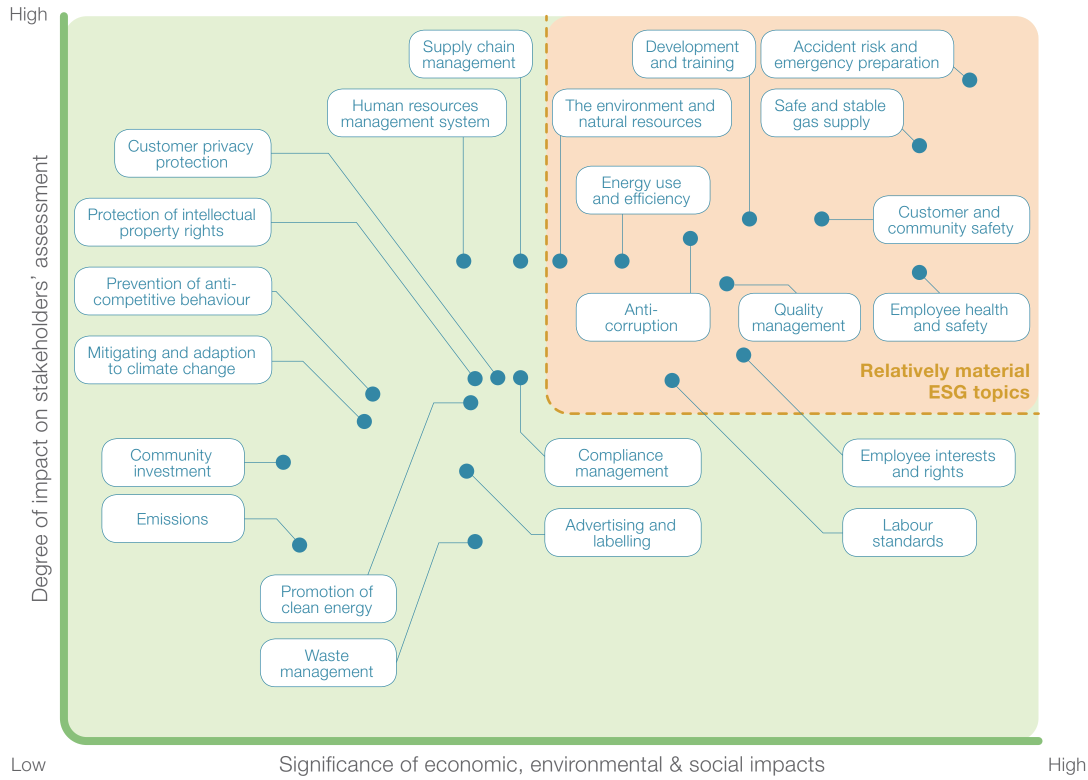
- The Group assessed the materiality of 23 topics, and prepared the materiality matrix for the Year; and
- The Group reviewed opinions of stakeholders and results of materiality assessment, and discussed with the management to determine the key disclosures of this Report and key points to be noted in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

Materiality Assessment Matrix of Beijing Gas Blue Sky in 2021



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 and appropriately updated the Safety Responsibility System 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 departments 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 Safety Responsibility System, the Group has formulated a series of guidelines in response to safety accidents, so that the Group can effectively control, mitigate and eliminate potential safety hazards 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 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 its policies and practices, with a view to creating a safe operation and production environment and providing stable and quality products and services.

In addition, due to the persistence 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 had zero days asked for leave by employees due to work injury and zero work-related fatalities during the Reporting Period.

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 Safety Responsibility System 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.

In addition, in terms of group operation, the Group strictly abides by the relevant regulations of national gas operation and management such as the Regulation on the Administration of Urban Gas and the Measures for the Administration of Gas Business Licenses. The Group will renew the gas business license in due course and operate within the scope specified in the license. At the same time, the Group complies with relevant regulations such as the Construction Law of the People's Republic of China and the Measures for the Administration of Construction Permits for Construction Projects, and renews building construction permits (gas) for construction projects from relevant authorities as appropriate.

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. We would also review on any missing parts. The Group carried out daily inspection on gas pipelines and designed a seasonal inspection plan to identify the risk factors specific to each season after considering the local climate. 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 no less than 20 class hours of safety training to each employee every year so that they become clearly aware of operation procedures. By doing so, we could reduce safety-related 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 production position employees are required to receive "three-level" safety education and pass the examination before they could take up their positions.

LEVEL 1 SAFETY EDUCATION

- 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

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

LEVEL 3 SAFETY EDUCATION

- Position-specific safety procedures
- Position-specific accident cases
- Measures to prevent accidents due to natural disasters
- 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 on-site safety inspections on the pipelines and relevant equipment of its users, including household users, industrial and commercial sector users and service sector users. 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 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.

Safety Accident Management

In response to safety-related accidents, the Group strictly complies with the Safety Responsibility System, 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.

CASE STUDY: 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 working at height 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 automictically sends text messages and voice alarms to the responsible person of the pipeline network, to alert on the relevant abnormal situation, so that the responsible person can make timely response.

Safety Management Scope	Measures
Inspection	• Comprehensive prevention and protection of potential hazards in the pipeline network through 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	• Safety Responsibility System categorizes emergency events into different types of warning levels for emergency response, and 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 strictly abides by the Contract Law of the People's Republic of China, the Labor Law of the People's Republic of China and other relevant laws and regulations. During the reporting period, the Group discovered certain subsidiaries that may have certain non-compliance issues in relation to human resources matters. The Group has implemented remedial measures, and their implementation has been underway. Please refer to the relevant sections of the annual report for details.

As at 31 December 2021, there are 491 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	1	22	9	58
		Female	1	23	2	
	Anhui Zheng Weili	Male	–	2	–	4
		Female	1	1	–	
	Jilin Songyuan	Male	15	104	20	212
		Female	6	66	1	
	Zhejiang Boxin	Male	–	3	–	6
		Female	–	3	–	
	Shanxi Minsheng	Male	33	89	20	211
		Female	17	37	15	

	Place of Operation	Gender	Senior level managers	Middle level managers	General employees	Total
Number of employees (By region, gender and position)	Hainan Xinyuan	Male	–	–	32	58
		Female	1	7	24	
	Anhui Zheng Weili	Male	–	–	2	4
		Female	–	–	2	
	Jilin Songyuan	Male	5	9	125	212
		Female	–	4	69	
	Zhejiang Boxin	Male	1	–	2	6
		Female	–	–	3	
	Shanxi Minsheng	Male	–	–	142	211
		Female	–	–	69	

During the Reporting Period, new employees accounts for 9% of the total employees.

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total
New employees (By region, gender and age)	Hainan Xinyuan	Male	–	–	–	–
		Female	–	–	–	
	Anhui Zheng Weili	Male	–	–	–	–
		Female	–	–	–	
	Jilin Songyuan	Male	3	13	1	17
		Female	–	4	–	
	Zhejiang Boxin	Male	–	–	–	–
		Female	–	–	–	
	Shanxi Minsheng	Male	–	–	–	–
		Female	–	–	–	

During the Reporting Period, the employee turnover rate of the business units under the reporting scope was 20%.

	Place of Operation	Gender	Age below 30	Age 30-50	Age over 50	Total
Employee turnover (By region, gender and age)	Hainan Xinyuan	Male	1	8	6	16
		Female	–	–	1	
	Anhui Zheng Weili	Male	–	–	–	–
		Female	–	–	–	
	Jilin Songyuan	Male	6	10	1	32
		Female	1	5	9	
	Zhejiang Boxin	Male	–	–	–	–
		Female	–	–	–	
	Shanxi Minsheng	Male	15	19	1	51
		Female	8	4	4	

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.

In terms of staff behaviour and discipline management, the Staff Manual clearly specifies investigation for disciplinary violations and assessment of punishment, which provides that 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 certain medical benefits to employees.

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

The Group believes that close and open communication with employees for the employer 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 setting up 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 6,165 hours, with a total of 280 (trained) participants, where the percentage of employees who received training reached 57.02%.

Training (By gender and position)	Gender	Senior level managers	Middle level managers	General employees	Total
Number of employees who received training	Male	7	9	160	280
	Female	–	5	99	
Total hours of training	Male	145	216	3,521	6,165
	Female	–	186	2,097	
Average hours of training per employee	Male	20.71	24	22	22.02
	Female	–	37.12	21.18	

Labour Standards

Prevention of child and forced labour

As a group with social responsibility, the Group strictly 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. At the level of group operation, 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. Therefore, 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.

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.

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 Tendering 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.

In addition, 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 be 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 former non-executive Director and former deputy chairman of the Board of the Group, Mr. Cheng Ming Kit was 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, and he was subsequently dismissed by shareholders at the annual general meeting held on 29 November of the same year. 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 confirmed incident.

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.

Supply Chain Management

As an integrated natural gas distributor and operator focusing on the development of mid-to-downstream 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.

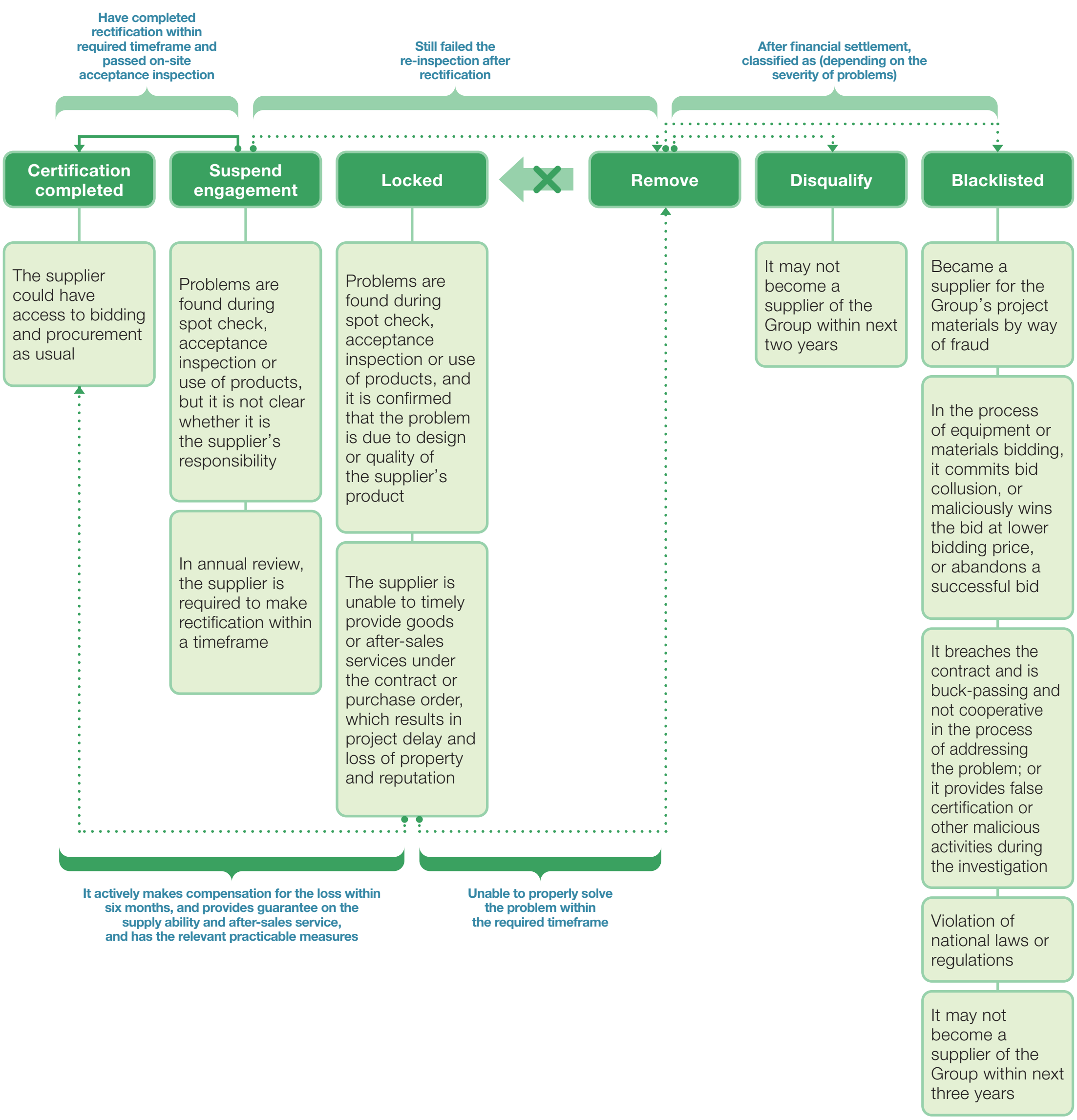
For construction project, the Group implements stringent procurement and tendering policies and has formulated the Project Tendering Management System and the Management System for Suppliers of Project Materials to set out tendering requirements and evaluation procedures for admitting suppliers. Tendering methods include open tender, tender by invitation, and tender by negotiation. A potential tenderer is not able to pass the review of qualification for the tendering 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 tendering documents are required to include the information on the tenderer'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 Tender Evaluation Committee consisting of internal and external experts organized by the Engineering Technology Department of the project company. Tender evaluation experts shall not contact the tenderer 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 tendering. The Group's Engineering Tendering Committee is responsible for formulating tendering procedures, guiding and supervising activities in an open, fair, impartial, and honest manner to prevent illegal interference in tendering and tendering activities and achieve fair competition.

The Group has formulated clear guidelines on environmental management of the supply chain. 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 tendering, or may even be subject to an early termination of contracts.

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:



Preventing Anti-competitive Behaviour

The Group upholds corporate responsibility and eliminates any anti-competitive behaviour in daily operations and supply chain management. For relevant information, please refer to the sections of "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 stipulated 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 locality of operation and propose mitigating or alternative plan. The Group has also implemented a number of noise reduction plans. For example, relevant guidelines on noise control have been formulated to specify 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 included in this Report. We plan to disclose such information in details 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 at all times. An appropriate number of "No Smoking" signs are posted at all offices. 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 2021**	Year 2020
Energy consumption	Direct energy	MWh	**1,309**	1,597
	Indirect energy	MWh	**422**	1,011
	Total energy consumption	MWh	**1,731**	2,608
	Intensity	MWh/square foot	**0.001**	0.001

Notes:

As of 31 December 2021 and 31 December 2020, 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 the intensities.

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 obtains sufficient water through the municipal water supply system. The Group has formulated the relevant guidelines on environmental protection 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 2021**	Year 2020
Water consumption	**Total water consumption**	Cubic meters	**4,542**	9,001
	Intensity	meters/square foot	**0.002**	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. During the Year, paper of Jilin Songyuan represented the major source of non-hazardous waste. During the Year, hazardous wastes generated from the business units under the reporting scope, including wasted batteries, lamps and bulbs, which were much less than one ton of total weight, have been properly disposed of according to law. And the total non-hazardous waste generated was approximately 3 tonnes.

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

	Non-hazardous waste data	Unit	**Year 2021**	Year 2020
Non–hazardous waste	**Total discharge of non-hazardous waste**	Tonnes	**3**	92
	Intensity	Tonnes/square foot	**0.000001**	0.00004

In accordance with the Group's management procedures of environmental protection, 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 relevant guidelines on environmental protection management. 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 2021**	Year 2020
Exhaust gas emissions	NOx	kg	**120**	105
	SOx	kg	**0.6**	1
	PM	kg	**34**	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 2021	Year 2020
Greenhouse gas emissions	Direct GHG emissions (Scope 1)	tCO_2e	**624**	444
	Energy indirect GHG emissions (Scope 2)	tCO_2e	**535**	615
	Other indirect GHG emissions (Scope 3)	tCO_2e	**10**	3
	Total emissions	tCO_2e	**1,171**	1,062
	Intensity	tCO_2e/square foot	**0.0006**	0.0005

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 1,171 tCO2e. An increase of approximately 10% compared with 2020 is mainly due to the fact that the back-up generators of Haikou Xinyuan used more diesel oil as there were more power outages during the Year, and the number of business trips increased as the COVID-19 pandemic slightly eased.

To reduce GHG emissions, we have formulated and implemented a number of energy-conservation programs, for example, carrying out a tree planting plan in the vicinity of the factory building of Jilin Songyuan. 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 660 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 relevant guidelines on the environmental protection management, 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 Commitment

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 Commitment, 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 Engineering Projects, Mitigating and Adaptation to Climate Change, Indoor Air Quality, Promotion of Clean Energy
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Human Resources Management System, Employee Rights and Benefits, Communication Channel, Diversity, Equal Opportunity and Anti-discrimination
KPI B1.1 (Recommended disclosures)	Total workforce by gender, employment type, age group and geographical region.	Human Resources Management System
KPI B1.2 (Recommended disclosures)	Employee turnover rate by gender, age group and geographical region.	Human Resources Management System

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

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

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

Aspect, General Disclosure, and KPI	Description	Chapter/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 (Recommended disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2 (Recommended disclosures)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
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
1-3	Claims of reporting in accordance with the GRI Standards	Reporting Standards
1-3	GRI content index	GRI Content Index
2-1	Name of the organization	Cover
2-1	Location of headquarters	About Beijing Gas Blue Sky
2-1	Location of operations	About Beijing Gas Blue Sky
2-1	Ownership and legal form	Cover
2-2	Entities included in the consolidated financial statements	Scope of Report; Annual Report
2-24	Violation of laws and regulations in the social and economic fields	There is no violation of social and economic laws and regulations. Please refer to "Building a Better Community"
2-27	Environmental laws and regulations	Building a green future
2-3	Reporting period	Reporting Period
2-3	Reporting cycle	Introduction
2-3	Contact point for questions regarding the report	Feedbacks
2-4	Restatements of information	No restatements of information
2-5	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.
2-6	Markets served	About Beijing Gas Blue Sky
2-6	Activities, brands, products, and services	Introduction; About Beijing Gas Blue Sky
2-6	Scale of the organization	Introduction; Annual Report
2-6	Supply chain	Follow a Cooperative and Win-win Business Philosophy –Supply Chain Management
2-6	Significant changes to the organization and its supply chain	About Beijing Gas Blue Sky
2-7	Information on employees and other workers	Build a Desirable Working Environment – Human Resource Management System
2-9	Governance structure	Sustainable Development Governance
2-22	Statement from senior decision-maker	Message from the Chairman
2-23	Values, principles, standards, and norms of behaviour	About Beijing Gas Blue Sky
2.29	List of stakeholder groups	Stakeholder Engagement
2-29	Identifying and selecting stakeholders	Stakeholder Engagement
2-29	Approach to stakeholder engagement	Stakeholder Engagement

GRI Index	Description	Chapter/Statement
3-1	Defining report content and topic Boundaries	Materiality Assessment
3-2	List of material topics	Materiality Assessment
3-2	Changes in reporting	Materiality Assessment
3-3	Precautionary Principle or approach	Sustainable Development Governance
3-3	Explanation of the material topic and its Boundary	Scope of Report；Materiality Assessment
3-3	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
3-3	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
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
206-1	Legal actions for anti-competitive behaviour, antitrust, and monopoly practices	Follow a Cooperative and Win-win Business Philosophy – Prevent Anti-Competitive Behaviour
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
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
3-3	Explanation of the material topic and its Boundary	Scope of Report；Materiality Assessment
3-3	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
3-3	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 Index	Description	Chapter/Statement
205-4	Communication and training about anti-corruption policies and procedures	Follow a Cooperative and Win-win Business Philosophy – Anti-corruption
205-5	Confirmed incidents of corruption and actions taken	Follow a Cooperative and Win-win Business Philosophy – Anti-corruption
206-1	Legal actions for anti-competitive behaviour, antitrust, and monopoly practices	Follow a Cooperative and Win-win Business Philosophy – Prevent Anti-Competitive Behaviour
302-1	Energy consumption within the organization	Build a Green Future – Energy Use and Efficiency
302-5	Energy intensity	Build a Green Future – Energy Use and Efficiency
302-6	Reduction of energy consumption	Build a Green Future – Energy Use and Efficiency
303-2	Management of water discharge-related impacts	Build a Green Future – Water Management
303-6	Water discharge	Build a Green Future – Water Management
303-7	Water consumption	Build a Green Future – Water Management
401-1	New employee hires and employee turnover	Build a Desirable Working Environment – Human Resource System
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Build a Desirable Working Environment – Employee Rights and Benefits
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
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
405-2	Ratio of basic salary and remuneration of women to men	Build a Desirable Working Environment – Diversity, Equal Opportunity and Antidiscrimination

GRI Index	Description	Chapter/Statement
406-1	Incidents of discrimination and corrective actions taken	Build a Desirable Working Environment – Diversity, Equal Opportunity and Antidiscrimination
408-1	Operations and suppliers at significant risk for incidents of child labour	Build a Desirable Working Environment – Labour Standards
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Build a Desirable Working Environment – Labour Standards
416-1	Assessment of the health and safety impacts of product and service categories	Providing Safe and Quality Service – Accident Risk and Emergency Preparation
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Providing Safe and Quality Service
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
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Providing Safe and Quality Service – Accident Risk and Emergency Preparation

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 2021 ("FY2021").

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the FY2021 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 page 3 and pages 4 to 19 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 FY2021 using financial key performance indicators is set out in the Management Discussion and Analysis on pages 4 to 19 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During FY2021, 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 of this annual report.

SUSPENSION OF TRADING IN SHARES AND RESUMPTION PROGRESS

(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;

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

(vii) conduct an independent forensic investigation into the Other Matters (details of which are set out in the section headed "Other Matters" in the Company's announcement dated 29 September 2021 ("Forensic Investigation Announcement")), announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions; and

(viii) conduct an independent forensic investigation with a view to identifying other transactions made by the Group since May 2014 with material irregularities, if any, announce the investigation findings, assess and announce the impact on the Company's financial and operation position, and take appropriate remedial actions, (together with paragraph (vii) above, the "Extended Investigation").

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

Forensic investigations

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, PricewaterhouseCoopers 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 31 December 2021, the Independent Forensic Accountant has completed the Forensic Investigation. For details of findings of the Forensic Investigation, please refer to the 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.

The Board has also 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.

Subsequent to the reporting period, the Special Committee has commenced the Extended Investigation with the assistance from its professional advisers. The Company published an announcement regarding the key findings in respect of the Extended Investigation and the recommendations of the Special Committee to further update the Shareholders on 19 April 2022.

Publication of financial results

As at the date of this report, there is no outstanding financial results overdue.

Assessment of internal control systems

As disclosed in the Company's announcements dated 16 July 2021, 29 September 2021 and 30 November 2021, the Company has engaged an internal control consulting firm as its internal control consultant to assist the management to conduct an internal control assessment for enhancement of the Company's internal control systems (the "Internal Control Assessment"). The Internal Control Assessment is completed on 31 March 2022. An announcement regarding the progress and results of the Internal Control Assessment was published on 19 April 2022.

The Company has engaged and has been working closely with its experienced advisory team to take appropriate steps to fulfill the Resumption Guidance.

Regulatory concern about management integrity

Mr. Cheng Ming Kit has been removed from all positions in the Group since 29 November 2021. Upon completion of the Extended Investigation, the Company will consider the recommendations and advice of its professional advisers, revisit the composition of the Board and restructure the Board as and when appropriate to demonstrate the fulfilment of the Resumption Guidance.

Compliance with Rule 13.24 of the Listing Rules

The Board considers that the Company has always complied with Rule 13.24 of the Listing Rules.

Notwithstanding the tough business environment since 2020 due to the COVID-19 pandemic, the Group managed to record revenue of approximately HK$1,728.0 million and loss approximately HK$278.6 million for the year ended 31 December 2021. Further, the Group's total assets stood at approximately HK$5,236.1 million as at 31 December 2021.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 December 2021 are set out in the consolidated financial statements on pages 124 to 127.

The Directors do not recommend the payment of final dividend for FY2021 (2020: 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 244 of this annual report.

FIXED ASSETS

Details of movements in the property, plant and equipment and right-of-use assets of the Group during FY2021 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 33 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 FY2021, 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 222 and note 35 to the consolidated financial statements respectively, no equity-linked agreements were entered into during FY2021 or subsisted at the end of FY2021.

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 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2021, sales to the Group's five largest customers accounted for 20.2% of the total sales for the Year and sales to the largest customer included therein amounted to 6.7% of total sales. Purchases from the Group's five largest suppliers accounted for 54.7% of the total purchases for FY2021 and purchases from the largest supplier included therein amounted to 22.2% 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 FY2021 and up to the date of this report are:

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 on 16 January 2021 and removed as non-executive Director and deputy chairman of the Board with effect from 29 November 2021)*

Independent non-executive Directors

Mr. Lim Siang Kai *(Resigned on 29 November 2021)*
Mr. Wee Piew *(Resigned on 29 November 2021)*
Mr. Ma Arthur On-hing *(Resigned on 1 February 2022)*
Mr. Cui Yulei
Ms. Hsu Wai Man Helen
Mr. Xu Jianwen *(Appointed on 1 February 2022)*

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr. Jin Qiang, Mr. Ye Hongjun and Mr. Cui Yulei will 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. Xu Jianwen 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. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing, Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, and still considers them to be independent.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the FY2021 was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the current Directors and the senior management of the Group are set out on pages 20 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2021, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

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

PERMITTED INDEMNITY PROVISIONS

During FY2021 and up to the date of this report, the Company has in force the permitted indemnity provisions which are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and cost associated with legal proceedings that may be brought against the Directors.

EMOLUMENT OF DIRECTORS AND EMPLOYEES

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

HIGHEST PAID INDIVIDUALS

During 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 FY2021.

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 2021 or at any time during FY2021.

MANAGEMENT CONTRACTS

No contract, other than service and/or employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during FY2021.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During FY2021 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 2021, none of the Directors or chief executive of the Company and their associates had any interests or short positions in the Shares, warrants, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code ("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules").

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

As at 31 December 2021, 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 31/12/2021
Mr. Cheng Ming Kit *(Note 2)*	Beneficial owner	391,962,514 (L)	3.02%
	Interest of controlled corporations	687,100,256 (L)	5.29%
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. Mr. Cheng Ming Kit ("Mr. Cheng") holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 584,148,256 Shares held by Grand Powerful Group Limited and 100% interest in China Print Power Limited and is deemed to be interested in 102,952,000 Shares held by China Print Power Limited. According to the disclosure of interests notices filed by Mr. Cheng, (i) Mr. Cheng personally holds 108,249,824 Shares and shall purchase up to 153,750,000 Shares upon request from an option holder; (ii) Mr. Cheng is also having a right derived from an option to purchase up to 120,000,000 Shares from another option holder; and (iii) Mr. Cheng has options to subscribe for 9,962,690 Shares upon the full exercise of the share options granted to him under the Company's share option scheme. However, to the best information and knowledge of the Company, the aforementioned 9,962,690 share options granted by the Company (in respect of 9,962,690 Shares) have lapsed automatically upon his removal as a Director on 29 November 2021.

3. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Gas Group Co., Ltd. and is deemed to be interested in 5,341,042,131 Shares. Mr. Zhi Xiaoye, the non-executive Director and Chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and a director and general manager of Beijing Gas Group Co., Ltd.

4. As per the disclosure of interest form filed by Beijing Gas Company Limited on 19 September 2018, Beijing Gas Company Limited is interested in 5,341,042,131 issued Shares and 337,777,778 unissued Shares, which shall be issued and allotted upon completion of the acquisition of Beijing Gas Group (Teng Country) Co., Ltd.* (北京燃氣集團藤縣有限公司). As at 31 December 2021 and up to the date of this report, such acquisition has yet to be completed. For further details regarding the acquisition, please refer to the Company's circular dated 26 April 2018.

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

Save as disclosed above, the Company has not been notified of any persons/corporations (other than the Directors and the chief executive officer of the Company) who had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company and the 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 2021, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and Directors of the Company or any of its subsidiaries. Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption and has therefore expired on 26 May 2021. Details of the Scheme are set out in note 35 to the consolidated financial statements.

During FY2021, no share options were granted under the Scheme. As at 31 December 2021, there are no longer any outstanding share options under the Scheme.

The following table discloses movements of the Company's share options during FY2021:

Category of grantee	Exercise price per share option *HK$*	Date of grant	Exercisable period	Number of share options as at 1 January 2021	Number of share options granted during FY2021 (Note)	Number of share options exercised during FY2021	Number of share options lapsed during FY2021	Number of share options as at 31 December 2021
Directors:								
Mr. Cheng Ming Kit *(duties suspended since 16 January 2021 and removed as non-executive Director and deputy chairman of the Board with effect from 29 November 2021)*	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	9,962,690	–
Mr. Lim Siang Kai *(Resigned on 29 November 2021)*	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	2,490,670	–
Mr. Wee Piew *(Resigned on 29 November 2021)*	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	–	–	–	–	–
Sub-total				34,262,690	–	–	34,262,690	–
Total				49,206,720	–	–	34,262,690	–
Exercisable at the end of the year								–

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group during FY2021 are set out in note 42 to the consolidated financial statements.

For those related party transactions during FY2021 which constituted connected transactions or continuing connected transactions (as the case may be) of the Company under the Listing Rules, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Save as disclosed below, none of the related party transactions as disclosed in note 42 to the consolidated financial statements in the annual report constituted connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS

During FY2021, the Company did not have any connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During FY2021, 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

Parties:

(i) Beijing Blue Sky Energy, an indirect wholly-owned subsidiary of the Company; and

(ii) Kunlun Energy Shandong, an associate (as defined under the Listing Rules) of Shennan Petroleum Technology which is a substantial shareholder (as defined under the Listing Rules) of Haikou Xinyuan (a non-wholly owned subsidiary of the Company) and a wholly-owned subsidiary of KunLun Energy Company Limited ("KunLun Energy") . As KunLun Energy holds the entire equity interest of Kunlun Energy Shandong, Kunlun Energy Shandong is therefore a connected person of the Company under the Listing Rules at the subsidiary level.

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 FY2021 (FY2020: Nil).

(ii) A LNG Purchase Agreement entered into between 北京北燃藍天能源有限公司 (Beijing Gas 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

Parties:

(i) Beijing Blue Sky Energy, an indirect wholly-owned subsidiary of the Company; and

(ii) Kunlun Shihua, an associate (as defined under the Listing Rules) of Shennan Petroleum Technology which is a substantial shareholder (as defined under the Listing Rules) of Haikou Xinyuan (a non-wholly owned subsidiary of the Company) and a wholly-owned subsidiary of KunLun Energy. As KunLun Energy indirectly holds 30% equity interest of Kunlun Shihua, Kunlun Shihua is therefore a connected person of the Company at the subsidiary level under the Listing Rules.

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 period from 1 January 2021 to 31 January 2021 amounted to HK$50,400,000 (FY2020: HK$20,043,000).

(iii) The Master Agreement dated 25 February 2021 with 北京市燃氣集團有限責任公司 (Beijing Gas Group Co., Ltd.*)

* *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:	25 February 2021	
Party:	北京市燃氣集團有限責任公司 (Beijing Gas Group Co., Ltd.*) ("BGGCL") or its designated subsidiaries or associates	
Terms:	25 February 2021 to 31 December 2023 (both days inclusive)	
Subject Matter:	Purchase of LNG from BGGCL	
Basis of Pricing	(i)	The sale and purchase price of LNG under the Master Agreement is determined by arm's length negotiations based on normal commercial terms which are no less favourable to the Company than that available from Independent Third Parties, as defined in the Company's circular dated 14 April 2021, and the purchase price of LNG shall be determined with reference to the market price quoted from the respective local LNG terminal.
	(ii)	As the customers of the Company located in different area of the PRC, the price of LNG varies with reference to the supply and demand in particular area of the PRC, and transportation cost. As such, the Directors considered referencing to the market price quoted from the respective local LNG terminal in the area the Company's customer located would be in the best interest of the Company.
	(iii)	The sale and purchase price of LNG shall be agreed by both Beijing Gas Group Co., Ltd. (or its designated subsidiaries or associates) and the Company (or its designated subsidiaries or associates) by written confirmations for each order.
	(iv)	The supply of LNG by BGGCL (or its designated subsidiaries or associates) will be subject to prepayment for LNG made by the Company (or its designated subsidiaries or associates) pursuant to the Master Agreement. The actual settlement amount shall be based on the actual sale and purchase amount of LNG between the parties to the Master Agreement.
Annual Cap:	For the year ended 31 December 2021: HK$954,135,000	

The total purchase made by the Company from BGGCL for the period from 25 February 2021 to 31 December 2021 amounted to HK$22,610,000.

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 2021 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, 31 May 2022. 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 Stock Exchange's website at www.hkexnews.hk and the Company's website at www.bgbluesky.com.

CORPORATE GOVERNANCE

The Company has applied the principles of the CG Code as set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions as set out in the CG Code in force during the year throughout FY2021, 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 2021 interim report.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Bank facility letter entered into on 2 March 2020

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

Bank facility letter entered into on 14 August 2020

Pursuant to the facility letter entered into between the Company and a bank on 14 August 2020, in relation to an extension of a term loan facility up to a maximum principal amount of HK$250,000,000 for one year to 17 August 2021, the Company undertakes that Beijing Gas Group 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 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 2021 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 2021.

AUDIT COMMITTEE

The Audit Committee currently comprises three members, namely, Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen all being independent non-executive Directors. Ms. Hsu Wai Man Helen as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2021.

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

AUDITORS

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

The consolidated financial statements of the Group for FY2021 were audited by Ernst & Young. Ernst & Young will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM. A resolution will be submitted to the AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

Mr. Zhi Xiaoye
Chairman

Mr. Li Weiqi
Director

19 April 2022

INDEPENDENT AUDITOR'S REPORT

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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 124 to 243, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 the consolidated financial statements and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Equity interests held by third parties

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, 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 equity interests, pursuant to which the Nominees agreed to hold an equity interest in certain companies (the "Unacquired Relevant Companies") on behalf of the Company. The board of directors denies the validity of the Service Agreements and accordingly, the Unacquired Relevant Companies were not consolidated or equity accounted for by the Company as the Group had no control or significant influence over the Unacquired Relevant Companies.

BASIS FOR DISCLAIMER OF OPINION (Continued)

1. Equity interests held by third parties (Continued)

Our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 was modified in respect of the aforesaid matter as 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* ("IFRS 10") or accounted for under the equity method of accounting according to International Accounting Standard 28 *Investments in Associates and Joint Ventures* ("IAS 28").

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 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 in respect of the Unacquired Relevant Companies.

As disclosed in note 2.1 to the financial statements, the board of directors and the Special Committee continued to investigate the matter subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020 and certain additional Unacquired Relevant Companies had been identified. Despite that the Group had been in negotiation with the Nominees to dissociate the Service Agreements with the Group, the Group was unable to reach an agreement with the Nominees.

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 IFRS 10 or accounted for under the equity method of accounting according to IAS 28 as at 1 January 2021 and 31 December 2021.

Consequently, we were unable to determine whether adjustments are required to be made to the Group's consolidated statement of financial position as at 1 January 2021 and 31 December 2021, 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 2021 and 2020 in respect of the Unacquired Relevant Companies.

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Related party transactions

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, we have previously modified our opinion due to a limitation on the scope of the audit in respect of the Group's related party transactions as (i) the Group did not have a clear internal control mechanism in respect of related party transactions; and (ii) 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").

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.

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020, in December 2021, the Group implemented new internal control policies in respect of the Group's related party transactions.

However, given that the internal control policies were implemented by the Group in December 2021, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions which occurred prior to the implementation of the internal control policies. We were also unable to ascertain whether the Unacquired Relevant Companies (as disclosed in 1. above) were related parties of the Group and whether the transactions with the Unacquired Relevant Companies should be disclosed as related party transactions in the consolidated financial statements for the year ended 31 December 2021 pursuant to IAS 24.

Consequently, we were unable to obtain sufficient evidence to ensure the completeness of the disclosure of all related party transactions in the consolidated financial statements for the years ended 31 December 2021 and 2020, and whether there were any further related party transactions that would require disclosure.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Matters relating to opening balances and impacting on the financial performance of the Group during the year ended 31 December 2021

(a) Deposits paid for acquisition of 51% equity interest in Tangshan Huapu

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, the board of directors was in negotiation with the then sole shareholder (the "Tangshan Huapu Original Shareholder") on the final consideration to be paid by the Group 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 carrying amount of the deposits paid for the acquisition of the 51% of equity interest of Tangshan Huapu included in the "Deposits for acquisition of subsidiaries" in the consolidated statement of financial position as at 31 December 2020 amounted to HK$86 million (after impairment adjustments). The successful acquisition of the 51% equity interest of Tangshan Huapu by the Group depended on the outcome of certain events, including but not limited to (i) the successful negotiation between the Group and the Tangshan Huapu Original Shareholder; and (ii) the compliance with the Hong Kong Listing Rules in respect of the acquisition.

Our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 was modified in respect of the aforesaid matter as 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 were 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 for impairment 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.

As disclosed in note 21 to the financial statements, subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020, the Group completed the due diligence work on Tangshan Huapu and continued to negotiate with the Tangshan Huapu Original Shareholder on the final consideration for the acquisition. The board of directors eventually resolved to cease the acquisition due to the business risk of Tangshan Huapu and the failure to reach an agreed consideration with the Tangshan Huapu Original Shareholder. The board of directors considered that it is unlikely to recover the deposits paid by the Group and thus an impairment loss of HK$90 million (which is the carrying amount of the deposits after exchange realignment adjustment) was recognised in profit or loss during the year ended 31 December 2021.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Matters relating to opening balances and impacting on the financial performance of the Group during the year ended 31 December 2021 (Continued)

(a) Deposits paid for acquisition of 51% equity interest in Tangshan Huapu (Continued)

Since no additional relevant evidence was obtained by us in respect of the recoverable amount of the 51% equity interests of Tangshan Huapu to be transferred to the Group as at 31 December 2020, we were unable to satisfy ourselves as to whether the provision was properly determined as at 31 December 2020.

We have been unable to obtain sufficient and appropriate audit evidence to assess the appropriateness of the carrying amount of the deposits paid for the acquisition of 51% of equity interest of Tangshan Huapu as at 31 December 2020, nor have we been able to ascertain whether any of the impairment loss of HK$90 million recognised by the Group in profit or loss for the year ended 31 December 2021 should have been recorded in profit or loss for the year ended 31 December 2020 or prior years. Therefore, we have been unable to determine whether it would be necessary to make adjustments to the aforesaid impairment loss recognised by the Group in its profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020; and the carrying amount of deposits for acquisition of subsidiaries in the Group's consolidated statement of financial position as at 31 December 2020.

(b) Provision for potential liability

As disclosed in note 40 to the financial statements in respect of the Litigation against Benxi Liaoyou, a 90% held subsidiary of the Company, the Claimant is claiming for the payment of RMB106 million (equivalent to approximately HK$130.7 million) against the Group in relation to two lease contracts: (i) the CM Finance Lease, which was entered in 2016 between Benxi Liaoyou and Huai'an Zhongyou (a company with 67.9% of equity interest held by the non-controlling shareholder of Benxi Liaoyou) (as lessees) and CMIFLCL (as lessor); and (ii) the CITIC Finance Lease, which was entered in 2017 between CMIFLCL (as lessee) and the Claimant (as lessor).

The Group has engaged PRC legal advisers to handle the Litigation and from the evidence provided by the Claimant to the Court and other information gathered by the Group, the board of directors of the Company suspects that the CM Finance Lease was entered into by Benxi Liaoyou without the approval of the then board of directors of Benxi Liaoyou or the Company. Also, despite that the CM Finance Lease was entered into by Benxi Liaoyou and Huai'an Zhongyou as the lessees under the CM Finance Lease, the leased assets appeared to be used by Huai'an Zhongyou and the amounts advanced under the CM Finance Lease were directly paid to parties which are unrelated to Benxi Liaoyou and instead appeared to have a business relationship with Huai'an Zhongyou.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Matters relating to opening balances and impacting on the financial performance of the Group during the year ended 31 December 2021 (Continued)

(b) Provision for potential liability (Continued)

In the view of the board of directors, the Group's liabilities in respect of the Claimant's claims depends on the outcome of the Litigation. In assessing the financial impact of the matter to the Group's consolidated financial statements for the year ended 31 December 2021, the Group engaged an external valuer to perform an estimation of the potential liability to be borne by the Group. Based on the estimation, an expense of HK$79.7 million was recognised by the Group during the year with the same amount being included in the "Provision for Liability" in the consolidated statement of financial position as at 31 December 2021.

Based on the information available to the board of directors, Huai'an Zhongyou appeared to have failed to make the lease payments to CMIFLCL since the year ended 31 December 2019, which indicated that a possible liability to be borne by the Group might have already existed as at 31 December 2020 or in prior years. However, since the board of directors did not estimate the provision amount as at 31 December 2020, we were unable to obtain sufficient relevant evidence to ascertain the amount of the Group's possible liability under the CM Finance Lease as at 31 December 2020.

Consequently, we have been unable to obtain sufficient and appropriate audit evidence to ascertain the amount of provision for liability that should be recognised as at 31 December 2020 and if any of the provision amount of HK$79.7 million recognised by the Group in profit or loss for the year ended 31 December 2021 should have been recognised in profit or loss for the year ended 31 December 2020 or prior years. Therefore, we have been unable to determine whether it would be necessary to make adjustments to the provision for liability recognised by the Group in profit or loss for the years ended 31 December 2021 and 2020; and the provision for liability in the Group's consolidated statement of financial position as at 31 December 2021 and 2020.

(c) Investment in Qian Tang

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, 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 beneficial owner of the 35% equity interest of Qian Tang (the "New JV Partner"), the Group was unable to control the 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 prior years. 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.

BASIS FOR DISCLAIMER OF OPINION (Continued)

3. Matters relating to opening balances and impacting on the financial performance of the Group during the year ended 31 December 2021 (Continued)

(c) *Investment in Qian Tang* (Continued)

Our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 was modified in respect of the aforesaid matter as 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.

As disclosed in note 20 to the financial statements, in November 2021, legal action had been taken by the Group against the New JV Partner for keeping, among others, the company chop, legal representative chop, business license and certain financial records of Qian Tang. The local court has accepted the case but the trial has not yet commenced up to the date of approval of the financial statements. In January 2022, the Group also applied for the preservation of, among others, the company chop, legal representative chop and business license of Qian Tang and in late January 2022 the court issued an order to prohibit the New JV Partner to use the aforesaid chops and business license of Qian Tang during the trial. However, despite the court order, the New JV Partner has yet to return the aforesaid chops and business license to Qian Tang.

According to the legal opinion issued by the Group's PRC legal advisor, the Group has sufficient legal grounds to request the New JV Partner to return, among others, the company chop, legal representative chop and business license to Qian Tang. In the view of the board of directors, this indicates that the Group is able to control the Relevant Activities of Qian Tang through shareholders' meetings and the control over the composition of the board of directors of Qian Tang according to the current articles of association and the PRC law. Thus in the opinion of the directors, Qian Tang should be reclassified from a joint venture to a subsidiary of the Group during the year ended 31 December 2021. Accordingly, the Group ceased to apply equity accounting on its investment in Qian Tang starting from 31 December 2021 and the financial information of Qian Tang was consolidated in the Group's consolidated statement of financial position starting from that date. The financial performance of Qian Tang and the impact of the reclassification had an insignificant financial impact to the Group's profit or loss during the year ended 31 December 2021.

Despite the above, we were unable to obtain sufficient relevant evidence supporting the appropriateness of the accounting treatment adopted by the Group as at 31 December 2020. 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.

BASIS FOR DISCLAIMER OF OPINION (Continued)

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

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, 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.

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 basis 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 assets as stated in the valuation report was HK$716 million, which 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 ended 31 December 2020.

As disclosed in note 2.3 to the financial statements, during the current year the Group engaged an external professional valuer to reperform the valuation of the fair value of intangible assets (operating concessions) arising from certain significant acquisitions in prior years. Based on the results of the valuations, the management noted that intangible asset (operating concession) and the goodwill amounts, the related deferred tax liabilities arising and the amounts attributable to the non-controlling interests recognised for certain of the PPAs had been misstated at initial recognition. The management corrected the errors in the current year's consolidated financial statements by adjusting the opening balances as at 1 January 2021, however no restatement was made to the comparative amounts. A third consolidated statement of financial position as at 1 January 2020 was also not presented in the current year's consolidated financial statements.

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, and International Accounting Standard 1 *Presentation of Financial Statements*, which requires an entity to present a third statement of financial position as at the beginning of the preceding period if a retrospective application of an accounting policy, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

BASIS FOR DISCLAIMER OF OPINION (Continued)

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

Accordingly, the accounting items in the consolidated statement of financial position as at 1 January 2020 and 31 December 2020 and the consolidated profit or loss for the year ended 31 December 2020 as disclosed in note 2.3 to the financial statements and the related comparative information should have been restated in the current year's financial statements and a third consolidated statement of financial position as at 1 January 2020 should have been presented in the current year's financial statements.

As addressed in 5.(a) below, our auditor's opinion for the year ended 31 December 2020 was modified as we were unable to determine whether it would be necessary to make adjustments to the impairment losses/write-off of assets 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. Accordingly, we have been unable to determine whether it would be necessary to make further adjustments to the adjustment amounts as at 1 January 2020 and the consolidated profit or loss for the year ended 31 December 2020 as disclosed in note 2.3 to the financial statements.

5. Corresponding figures

(a) Impairment losses/write-off of assets during the year ended 31 December 2020

During the year ended 31 December 2020, impairment losses/write-off of assets of HK$3,886 million and write-off of financial assets of HK$119 million had been recognised by the Group in profit or loss and other comprehensive income, respectively. However, we noted that the impairment assessments performed by the board of directors were not extended to the related assets as at 31 December 2019. Accordingly, we were 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 were 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. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 was modified accordingly.

BASIS FOR DISCLAIMER OF OPINION (Continued)

5. Corresponding figures (Continued)

(b) Revenue from the trading of goods for the year ended 31 December 2020

During the year ended 31 December 2020, the Group was engaged in the trading of liquefied 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 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.

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 undertaken during the year ended 31 December 2020 as set out in the preceding paragraph. 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 balances making up the consolidated statement of financial position as at 31 December 2020. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 was modified accordingly.

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 is also modified because of the possible effect of the above matters on the comparability of the current year's figures and the corresponding figures.

BASIS FOR DISCLAIMER OF OPINION (Continued)

6. Material uncertainties relating to going concern

As described in note 2.2 to the financial statements, at 31 December 2021, the current liabilities of the Group exceeded its current assets by approximately HK$2.9 billion. The current liabilities included HK$2.2 billion of bank and other borrowings due for repayment in 2022 according to the original repayment schedule of the respective loan agreements and HK$1.3 billion of bank and other borrowings due for repayment after 2022 according to the original repayments schedule but were reclassified as current liabilities as the events of defaults had been triggered in respect of certain of the Group's bank and other borrowings due to, among others, the suspension of trading of the Company's shares since 18 January 2021. Certain of the Group's creditors had also demanded for immediate repayment and the Group is currently in negotiation with the creditors for a refinancing arrangement.

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

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, inter alia; (i) successfully obtaining agreement with the creditors for a refinancing arrangement; (ii) completion of the asset injections and successfully obtaining a loan from the major shareholder; 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 these 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 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 ("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
19 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
REVENUE	6	**1,728,019**	1,463,102
Cost of sales		**(1,608,675)**	(1,307,855)
Gross profit		**119,344**	155,247
Other income and gains, net	7	**34,326**	34,840
Administrative expenses		**(243,986)**	(363,130)
Other expenses		**(124,869)**	(254,474)
Provision for impairment losses on financial assets	8	**(251,118)**	(1,567,110)
Impairment losses on other assets, net	8	**(45,746)**	(2,035,804)
Finance costs	9	**(132,298)**	(195,462)
Share of profits and losses of:			
Associates	19	**374,289**	320,432
Joint ventures	20	**–**	(11,767)
LOSS BEFORE TAX	8	**(270,058)**	(3,917,228)
Income tax credit/(expense)	11	**(8,499)**	110,826
LOSS FOR THE YEAR		**(278,557)**	(3,806,402)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**5,761**	130,636
Share of other comprehensive income of associates and joint ventures		**63,067**	35,004
		68,828	165,640
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)
Write-off of assets		**–**	(111,375)
		–	(118,995)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**68,828**	46,645
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(209,729)**	(3,759,757)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	2021 *HK$'000*	2020 *HK$'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(275,400)**	(3,716,327)
Non-controlling interests		**(3,157)**	(90,075)
		(278,557)	(3,806,402)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(208,725)**	(3,675,341)
Non-controlling interests		**(1,004)**	(84,416)
		(209,729)	(3,759,757)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	12	**(2.12)**	(28.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**506,779**	515,877
Investment properties	24(c)	**44,757**	36,635
Right-of-use assets	15(a)	**52,934**	46,873
Intangible assets	16	**70,705**	422,744
Goodwill	17	**597,983**	257,447
Investments in associates	19	**2,080,006**	1,852,051
Investments in joint ventures	20	**19,522**	189,618
Deposits for acquisition of subsidiaries	21	**283,464**	435,272
Deposits for acquisition of property, plant and equipment	22	**25,633**	27,353
Prepayments, deposits and other receivables	26	**5,114**	802
Equity investments at fair value through other comprehensive income	27	**707**	696
Other non-current assets		**614**	300
Total non-current assets		**3,688,218**	3,785,668
CURRENT ASSETS			
Inventories	23	**15,263**	18,395
Trade receivables	24	**160,722**	249,347
Contract assets	25	**25,965**	52,557
Prepayments, deposits and other receivables	26	**506,221**	564,896
Amounts due from associates	19	**1,985**	1,189
Amounts due from joint ventures	20	**69,989**	41,750
Financial assets at fair value through profit or loss	28	**17,721**	7,088
Restricted cash and pledged deposits	29	**519,108**	46,993
Cash and bank balances	29	**230,945**	705,408
Total current assets		**1,547,919**	1,687,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
CURRENT LIABILITIES			
Trade and bills payables	30	**294,374**	357,054
Other payables and accruals	31	**471,987**	496,991
Bank and other borrowings	32	**3,486,413**	3,364,798
Amounts due to associates	19	**1,481**	4,411
Amounts due to joint ventures	20	**70,152**	151,341
Lease liabilities	15(b)	**9,324**	4,570
Provision for liability	40	**79,673**	–
Total current liabilities		**4,413,404**	4,379,165
NET CURRENT LIABILITIES		**(2,865,485)**	(2,691,542)
TOTAL ASSETS LESS CURRENT LIABILITIES		**822,733**	1,094,126
NON-CURRENT LIABILITIES			
Amounts due to joint ventures	20	**–**	16,963
Bank and other borrowings	32	**93,324**	153,651
Lease liabilities	15(b)	**10,924**	7,665
Deferred tax liabilities	34	**17,502**	105,686
Total non-current liabilities		**121,750**	283,965
Net assets		**700,983**	810,161
EQUITY			
Equity attributable to owners of the company			
Share capital	33	**714,236**	714,236
Reserves	39	**(109,392)**	35,666
		604,844	749,902
Non-controlling interests		**96,139**	60,259
TOTAL EQUITY		**700,983**	810,161

Zhi Xiaoye
Director

Li Weiqi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to shareholders of the Company										
	Share capital HK$'000 (note 33)	Share premium HK$'000 (note 39(a))	Share option reserve HK$'000 (note 35)	FVTOCI reserve HK$'000 (note 39(b))	Merger reserve HK$'000 (note 39(c))	Other reserve HK$'000 (note 39(d))	Translation reserve HK$'000 (note 39(e))	Retained profits/ (accumulated losses) HK$'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 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 37)*	–	–	–	–	–	–	–	–	–	(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

	Attributable to shareholders of the Company										
	Share capital HK$'000 (note 33)	Share premium HK$'000 (note 39(a))	Share option reserve HK$'000 (note 35)	FVTOCI reserve HK$'000 (note 39(b))	Merger reserve HK$'000 (note 39(c))	Other reserve HK$'000 (note 39(d))	Translation reserve HK$'000 (note 39(e))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	714,236	4,270,611	123	(47,317)	(43,048)	(28,869)	(555,471)	(3,560,363)	749,902	60,259	810,161
Correction of prior year error (note 2.3)	-	-	-	-	-	-	-	63,667	63,667	26,512	90,179
	714,236	4,270,611	123	(47,317)	(43,048)	(28,869)	(555,471)	(3,496,696)	813,569	86,771	900,340
Loss for the year	-	-	-	-	-	-	-	(275,400)	(275,400)	(3,157)	(278,557)
Other comprehensive income for the year:											
Exchange differences related to foreign operations	-	-	-	-	-	-	3,608	-	3,608	2,153	5,761
Share of other comprehensive income of associates	-	-	-	-	-	-	63,067	-	63,067	-	63,067
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	66,675	(275,400)	(208,725)	(1,004)	(209,729)
Forfeiture of share options (note 35)	-	-	(123)	-	-	-	-	123	-	-	-
Acquisition of subsidiaries (note 37)	-	-	-	-	-	-	-	-	-	3,921	3,921
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,758)	(2,758)
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	9,209	9,209
Transfer to reserves	-	-	-	-	-	1,490	22,432	(23,922)	-	-	-
At 31 December 2021	714,236	4,270,611*	-*	(47,317)*	(43,048)*	(27,379)*	(466,364)*	(3,795,895)*	604,844	96,139	700,983

* These reserve accounts comprise the consolidated negative reserve of HK$109,392,000 (2020: reserve of HK$35,666,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(270,058)**	(3,917,228)
Adjustments for:			
Amortisation of intangible assets	8, 16	**5,239**	72,070
Depreciation of right-of-use assets	8, 15(a)	**14,795**	18,474
Depreciation of property, plant and equipment	8, 14	**58,188**	71,562
Impairment of goodwill	8, 17	**27,805**	869,627
Impairment of property, plant and equipment	8, 14	**11,313**	158,983
Impairment of right-of-use assets	8, 15(a)	**–**	9,046
Impairment of intangible assets	8, 16	**6,894**	660,499
Impairment/(reversal of impairment) of investments in associates	8, 19(d)	**(266)**	159,899
Impairment of investments in joint ventures	8, 20(d)	**–**	177,750
Impairment of deposit for acquisition of subsidiaries	8, 21(d)	**145,739**	772,033
Impairment of deposit 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 of trade receivables	8, 24(b)	**26,009**	135,864
Impairment of loan and bond receivables, and other receivables	8, 26(d)	**79,370**	578,806
Change in fair value of financial assets at FVTPL	7	**813**	(889)
Interest income	7	**(11,315)**	(7,144)
Finance costs	9	**132,298**	195,462
Share of profits and losses of associates		**(374,289)**	(320,432)
Share of profits and losses of joint ventures		**–**	11,767
Provision for liability	40	**79,673**	–
Operating profit/(loss) before working capital changes		**(67,792)**	9,937
Decrease/(increase) in inventories		**3,670**	(26,801)
Decrease/(increase) in contract assets		**27,827**	(8,684)
Increase/(decrease) in contract liabilities		**(96,676)**	105,532
Decrease/(increase) in trade and other receivables		**90,733**	(332,778)
Increase/(decrease) trade and other payables		**(52,607)**	73,224
Cash used in operations		**(94,845)**	(179,570)
Income tax paid		**(22,766)**	(10,895)
Net cash used in operating activities		**(117,611)**	(190,465)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		**11,315**	7,144
Loan to third parties		**–**	(14,839)
Purchases of property, plant and equipment		**(54,921)**	(48,498)
Additions of right-of-use assets		**(2,866)**	(8,229)
Proceeds from disposal of property, plant and equipment		**–**	3,869
Deposits paid for acquisition of subsidiaries		**–**	(110,948)
Investment in associates		**–**	(55)
Dividend received from an associate		**209,667**	198,586
Increase/(decrease) in time deposit with maturity of more than three months when acquired		**35,607**	(35,607)
Advance to associates		**(744)**	(2,306)
Advance to joint ventures		**–**	(5,951)
Purchase of financial assets at FVTPL		**–**	(5,935)
Proceeds from disposal of financial assets at FVTPL		**5,935**	4,891
Net cash inflow for the acquisition of subsidiaries	37	**–**	3,475
Net cash from/(used in) investing activities		**203,993**	(14,403)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 *HK$'000*	2020 *HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings raised		**674,100**	2,473,666
Repayment of bank and other borrowings		**(612,812)**	(1,582,648)
Increase in restricted cash and pledged deposits		**(472,115)**	(46,993)
Principal portion of lease liabilities		**(8,339)**	(8,757)
Dividend paid to non-controlling interests		**(2,758)**	–
Redemption of convertible bonds		**–**	(402,065)
Advance from associates/joint ventures		**–**	45,603
Repayment to associates		**(3,022)**	–
Acquisition of non-controlling interests		**–**	(345)
Capital contribution from non-controlling interests of subsidiaries		**9,209**	22
Interest paid		**(132,298)**	(166,809)
Net cash from/(used in) financing activities		**(548,035)**	311,674
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(461,653)**	106,806
Effect of foreign exchange rate changes, net		**22,797**	20,697
Cash and cash equivalents at the beginning of the year		**669,801**	542,298
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**230,945**	669,801
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	29	**724,965**	455,396
Time deposits	29	**25,088**	297,005
Less: Restricted cash and pledged deposits	29	**(519,108)**	(46,993)
Cash and cash equivalents as stated in the consolidated statement of financial position		**230,945**	705,408
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		**230,945**	669,801

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 Rooms 3402-4, 34th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, respectively.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") 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	RMB168,000,000	–	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
吉林浩原燃氣有限公司[Ω]	The PRC	RMB50,000,000	–	100	City gas, pipeline construction and other related service
松原市北燃藍天新能源有限公司[Ω]	The PRC	RMB50,000,000	–	100	City gas, pipeline construction and other related service

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		Principal activities
			Direct	Indirect	
山西民生天燃氣有限公司#	The PRC	RMB80,000,000	–	51	City gas, pipeline construction and other related service
永濟市民生天燃氣有限公司#	The PRC	RMB60,000,000	–	51	City gas, pipeline construction and other related service
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
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
北京北燃京唐燃氣科技有限公司Ω	The PRC	HK$114,230,000	–	100	Investment holding

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

These entities are registered as sino-foreign-owned enterprises under PRC Law

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 directors, result in particulars of excessive length.

2. BASIS OF PRESENTATION AND 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 includes all 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 PRESENTATION AND 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 2021. 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 PRESENTATION AND PREPARATION (Continued)

2.1 (Continued)

***Basis of consolidation* (Continued)**

Unacquired Relevant Companies

As disclosed in the Group's consolidated financial statements for the year ended 31 December 2020 (the "FY2020 Financial Statements"), the board of directors noted that the Company entered into service agreements (the "Service Agreements") with certain third parties (the "Nominees") pursuant to which the Nominees agreed to hold an equity interest in certain companies (the "Relevant Companies") on behalf of the Company. It was noted that most of these Service Agreements were either signed by Mr. Cheng Ming Kit ("Mr. Cheng", a former director of the Company who was removed from the Company's board of directors with effect from 29 November 2021) 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 had become subsidiaries or associates of the Company upon completion of the relevant acquisitions; (ii) companies to be acquired by the Group; or (iii) companies which had no business relationship with the Group and were not subsidiaries, associates or joint ventures of the Company. The board of directors categorically denies the validity of these Service Agreements. The Relevant Companies which are not yet acquired by the Group are referred to as "Unacquired Relevant Companies".

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2020, certain additional Unacquired Relevant Companies had been identified. Despite that the Group had been in negotiation with the Nominees to dissociate the Service Agreements with the Group, the Group was unable to reach an agreement with the Nominees.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.1 (Continued)

***Basis of consolidation* (Continued)**

***Unacquired Relevant Companies* (Continued)**

In preparing the Group's consolidated financial statements for the year ended 31 December 2021 and 2020, the board of directors has taken into consideration the following matters relating to the Relevant Companies:

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

(b) In preparing the Group's consolidated financial statements for the year ended 31 December 2020, for investments that were acquired by the Group with the involvement of the Relevant Companies as at 31 December 2020:

(i) the board of directors reassessed the legal ownership of the acquired subsidiaries and confirmed that all companies within the scope of the Group's consolidation were legally owned by the Group as at 31 December 2020 and up to the date of approval of the Group's FY2020 Financial Statements;

(ii) the board of directors 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 during the year ended 31 December 2020, except for the amounts that will be repaid by the counter parties. Goodwill and intangible assets arising from acquisition of subsidiaries was adjusted based on the revised investment costs (if any) and impairment was 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 board of directors reassessed the legal ownership. For the investments that were not legally owned by the Group as at 31 December 2020, the carrying amounts had been written off during the year ended 31 December 2020.

The impairment losses recognised by the Group during the year ended 31 December 2020 as a result of the above assessment had been disclosed in the Group's FY2020 Financial Statements.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.2 Going concern basis

At 31 December 2021, the current liabilities of the Group exceeded its current assets by approximately HK$2.9 billion. The Group's total bank and other borrowings as at 31 December 2021 amounted to HK$3.6 billion, including HK$2.2 billion due for repayment in 2022 according to the original repayment schedule of the respective loan agreements. In addition, HK$1.3 billion of bank and other borrowings due after 2022 were classified as current liabilities as at 31 December 2021 as events of defaults had been triggered for certain of the bank and other borrowings due to, among others, the suspension of trading of the Company's shares since 18 January 2021. Certain creditors had also demanded immediate repayment for the loans due by the Group.

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

(i) In January 2022, a mandate letter was entered into between the Group and a bank (the "Facility Agent") pursuant to which the Facility Agent was appointed by the Group to arrange for a refinancing plan with the potential lenders. According to the latest negotiation with the potential lenders, the conditions precedent to the availability of the refinancing plan included, among others, the successful asset injections from the major shareholder, the advance of a loan from the major shareholder and the resumption of trading of the Company's shares. The board of directors expect that the agreement and related documentations of the refinancing plan will be executed and delivered on or before 30 June 2022;

(ii) The board of directors is currently in discussion with the major shareholder for the aforesaid asset injections and advance of a loan; and

(iii) The board of directors 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.

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

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, and 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 these consolidated financial statements.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

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

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

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

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

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

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

Consolidated profit or loss for the year ended 31 December 2020

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

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

2.4 The Extended Investigations

As disclosed in the Company's announcement dated 23 November 2021, the Company received a letter from the Stock Exchange regarding two additional resumption guidance on 17 November 2021, pursuant to which, the Company is required to conduct independent forensic investigations (i) into certain other matters ("Other Matters") which did not fall under the scope of the initial investigation; and (ii) with a view to identifying other transactions made by the Group since May 2014 with material irregularities, if any (the "Extended Investigations").

On 29 November 2021, a special committee (the "Special Committee", which was established in February 2021 by the board of directors to investigate a number of suspicious transactions involving Mr. Cheng Ming Kit ("Mr. Cheng", a former director of the Company)) resolved to conduct the Extended Investigations with the assistance of the forensic accountant (the "Forensic Accountant") in addressing the aforementioned resumption guidance.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

2.4 The Extended Investigations (Continued)

On 18 April 2022, the Forensic Accountant finalised and presented an extended forensic investigation report (the "Extended Forensic Investigation Report") to the Special Committee. The Special Committee reviewed and presented the Extended Forensic Investigation Report, together with the opinion of the Special Committee, to the Board for approval on 19 April 2022.

During the course of the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, the board of directors had taken into account the findings of the Extended Investigations and the relevant information and supporting evidence available to assess the relevant financial impact of the matters identified in the Extended Investigations.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9 IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) 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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings.

(b) Amendment to IFRS16 issued in May 2020 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affect only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. Amendment to IFRS 16 issued in 2021(the "2021 Amendment") extends the availability of the practical expedient for any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the 2021 Amendment on 1 January 2021.

However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

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

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

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

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the amendments to IFRS 17 issued in 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*

5 *The IASB amends IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17*

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

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

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* revised 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 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 resulting from a downstream transaction 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. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The Group is currently assessing the impact of the amendments on the Group's financial statements.

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 shall be applied retrospectively only 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 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 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.

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 consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the 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 leases 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, gas pipelines, plant and machinery and other property, plant and equipment under construction or installation, and construction materials. Construction in progress is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 lease teams of 2 to 20 years
Prepaid land leases	Over the lease teams of 20 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 equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for any leases of low-value assets to leases of office equipment and other assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on 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 including transaction costs. Subsequent to initial recognition, investment properties are stated at 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 included in 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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 concessions

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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 in accordance with the policies set out for "Revenue recognition" below.

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement **(Continued)**

The Group's business model for managing financial assets 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.

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 ("FVTOCI") when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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).

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

(b) ***Simplified approach***

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For contract assets that contain a significant financing component 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 at amortised cost. 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, amount due to associate/joint ventures, bank and other borrowings (including corporate bonds).

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, trade and other payables, 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.

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 service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the costs incurred, relative to the estimated total costs for satisfaction of the construction services.

(b) Natural gas refueling station services

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 good before that good is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good by another party. In this case, the Group does not control the specified good provided by another party before that good is 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 or accumulated losses as a movement in reserves.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Defined contribution plans

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

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

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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, and 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.

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

The functional currencies of certain, Mainland China and overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong 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 those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of the translation reserve relating to that particular foreign operation is recognised in profit or loss.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Impairment of goodwill and operating rights

The Group determines whether goodwill and operating rights are impaired at least on an annual basis or when there is an indication of impairment. This requires 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 right as at 31 December 2021 was HK$597,983,000 (2020: HK$257,447,000) and HK$70,705,000 (2020: HK$422,744,000), respectively, details of which are set out in notes 17 and 16 to the financial statements, respectively.

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

The carrying amounts of items of property, plant and equipment, right-of-use assets and investment properties 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 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 for acquisition of subsidiaries and other receivables other than prepayments carried as assets in the consolidated statement of financial position as at 31 December 2021 were HK$160,722,000 (2020: HK$249,347,000), HK$25,965,000 (2020: HK$52,557,000), HK$283,464,000 (2020: HK$435,272,000) and HK$280,928,000 (2020: HK$234,924,000), respectively, further details of which are set out in notes 24, 25, 21 and 26 to the financial statements.

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

4. Natural gas refueling station – operation of CNG and LNG refueling stations for vehicles.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the year 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 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 and losses 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 2021

	City gas, pipeline construction, value-added service and others *HK$'000*	Direct supply to industrial users *HK$'000*	Trading and distribution of natural gas *HK$'000*	Natural gas refueling station *HK$'000*	Total *HK$'000*
External segment revenue	602,066	494,708	583,415	47,830	1,728,019
Segment profit/(loss)	317,455	(1,008)	(25,718)	(6,609)	284,120
Unallocated other income and gains, net					34,326
Unallocated central corporate expenses					(189,616)
Finance costs					(132,298)
Impairment of unallocated assets					(266,590)
Loss before tax					(270,058)

5. OPERATING SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2020

	City gas, pipeline construction, value-added service and others *HK$'000*	Direct supply to industrial users *HK$'000*	Trading and distribution of natural gas *HK$'000*	Natural gas refueling station *HK$'000*	Total *HK$'000*
External segment revenue	639,474	361,663	402,311	59,654	1,463,102
Segment loss	(1,941,787)	(196,503)	(282,613)	(475,621)	(2,896,524)
Unallocated other income and gains, net					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)

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

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

	2021	2020
	HK$'000	*HK$'000*
City gas, pipeline construction, value-added service and others	**3,431,214**	3,670,526
Direct supply to industrial users	**104,110**	369,306
Trading and distribution of natural gas	**291,807**	266,098
Natural gas refueling station	**113,150**	153,456
Corporate and other unallocated items	**1,295,856**	1,013,905
Consolidated assets	**5,236,137**	5,473,291

Segment liabilities

	2021	2020
	HK$'000	*HK$'000*
City gas, pipeline construction, value-added service and others	**679,179**	705,039
Direct supply to industrial users	**102,144**	117,756
Trading and distribution of natural gas	**209,308**	244,929
Natural gas refueling station	**10,349**	7,307
Corporate and other unallocated items	**3,534,174**	3,588,099
Consolidated liabilities	**4,535,154**	4,663,130

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

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

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, unallocated lease liabilities, deferred tax liabilities and other unallocated liabilities not attributable to segment).

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

5. OPERATING SEGMENT INFORMATION (Continued)

Other segment information

31 December 2021	City gas, pipeline construction, value-added service and others	Direct supply to industrial users	Trading and distribution of natural gas	Natural gas refueling station	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Addition to non-current assets (excluding goodwill) *(note a)*	**47,045**	**2,422**	**6,116**	**9,467**	**10,426**	**75,476**
Depreciation of property, plant and equipment	**43,052**	**8,255**	**–**	**4,035**	**2,846**	**58,188**
Depreciation of right-of-use assets	**7,088**	**–**	**–**	**1,733**	**5,974**	**14,795**
Amortisation of intangible assets	**5,239**	**–**	**–**	**–**	**–**	**5,239**
Investments in associates	**2,048,345**	**–**	**–**	**31,661**	**–**	**2,080,006**
Investments in joint ventures	**19,522**	**–**	**–**	**–**	**–**	**19,522**
Share of profits/(losses) of associates	**376,025**	**–**	**–**	**(1,736)**	**–**	**374,289**
Impairment/(reversal of impairment) on assets *(note b)*	**30,574**	**15,868**	**(25,577)**	**9,409**	**266,590**	**296,864**
31 December 2020						
Addition to non-current assets (excluding goodwill) *(note a)*	45,639	12,154	–	685	110,948	169,426
Depreciation of property, plant and equipment	57,939	8,342	–	1,151	4,130	71,562
Depreciation of right-of-use assets	8,731	–	–	2,404	7,358	18,493
Amortisation of intangible assets	64,448	3,522	–	4,100	–	72,070
Investments in associates	1,819,499	–	–	32,552	–	1,852,051
Investments in joint ventures	189,618	–	–	–	–	189,618
Share of profits/(losses) of associates	322,596	–	–	(2,164)	–	320,432
Share of profits of joint ventures	(11,767)	–	–	–	–	(11,767)
Impairment losses and write-off of on assets *(note b)*	1,742,346	105,516	835,156	564,348	638,893	3,886,259

Notes:

(a) The amount consists of additions to property, plant and equipment, right-of-use assets and deposits 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 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 Mainland China.

No geographical information is presented as more than 90% of the revenue during each of the years ended 31 December 2021 and 2020 were derived from Mainland China.

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

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue during the years ended 31 December 2021 and 2020.

6. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customer		
City gas, pipeline construction, value-added service and others	**602,066**	639,474
Direct supply to industrial users	**494,708**	361,663
Trading and distribution of natural gas	**583,415**	402,311
Natural gas refueling station	**47,830**	59,654
	1,728,019	1,463,102

6. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

	2021 *HK$'000*	2020 *HK$'000*
Types of sale channels and nature of goods and services rendered		
City gas, pipeline construction, value-added service and others		
CNG	**444,961**	477,979
Pipeline construction fee	**133,671**	122,708
Other related products	**23,434**	38,787
	602,066	639,474
Direct supply to industrial users		
LNG	**494,708**	361,663
Trading and distribution of natural gas		
LNG	**571,110**	394,525
Agency income from trading of LNG, CNG, fuel oil and other related oil by-products	**12,305**	7,786
	583,415	402,311
Natural gas refueling station		
LNG	**30,388**	27,315
CNG	**17,442**	32,339
	47,830	59,654
	1,728,019	1,463,102

6. REVENUE (Continued)

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

	City gas, pipeline construction, value–added service and others HK$'000	Direct supply to industrial users HK$'000	Trading and distribution of natural gas HK$'000	Natural gas refueling station HK$'000	Total HK$'000
Year ended 31 December 2021					
Timing of revenue recognition					
At a point in time	**468,395**	**494,708**	**583,415**	**47,830**	**1,594,348**
Over time	**133,671**	**–**	**–**	**–**	**133,671**
	602,066	**494,708**	**583,415**	**47,830**	**1,728,019**
Year ended 31 December 2020					
Timing of revenue recognition					
At a point in time	516,766	361,663	402,311	59,654	1,340,394
Over time	122,708	–	–	–	122,708
	639,474	361,663	402,311	59,654	1,463,102

All the revenue from customers are derived from Mainland China for the years ended 31 December 2021 and 2020.

(b) Performance obligations for contract with customers

Natural gas refueling station/trading and distribution of natural gas/direct supply to industrial users

For CNG and LNG refueling stations for vehicles and distribution and trading of CNG and LNG as a wholesaler to industrial and commercial users through direct supply facilities, revenue is recognised at a point in time when the customers obtain the control of goods which is when the gas refueling process have completed and the gas has been delivered to the users' 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 refueling station, customers are required to purchase an oil card and top up the advance payment stored in the card for future usage of natural gas to be supplied by the Group. The Group requires advance payment before the usage of natural gas through oil card. Any shortage resulted in the oil, the Group grant a normal credit term of 30 days upon the issue of monthly statement of the oil card.

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 sales of 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 exceed the amount of the deposits. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract asset for any work performed in excess of payment from customer for the same contract. Any amount previously recognised as a contract asset is reclassified to trade receivables upon completion of construction works. The Group allows an average credit period of 90 days to its customers.

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

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

(d) The amounts of revenue recognised during the year that were included in the contract liabilities at the beginning of the reporting period are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year*	**139,968**	120,572

* Contract liabilities related to trading and distribution of natural gas of HK$128,700,000 (2020: HK$53,148,000) was recognised in the net amount of consideration in profit or loss.

7. OTHER INCOME AND GAINS, NET

	Note	2021 HK$'000	2020 HK$'000
Other income			
Interest income		**11,315**	7,144
Rental income		**–**	437
Gas appliances income		**–**	2,342
Government subsidies and grants		**1,189**	3,749
Sundry income		**22,930**	20,043
		35,434	33,715
Gains, net			
Changes in fair value of financial assets at fair value through profit or loss		**(813)**	889
Foreign exchange difference, net		**(295)**	236
		(1,108)	1,125
Other income and gains, net		**34,326**	34,840

8. LOSS BEFORE TAX

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

	Note	2021 HK$'000	2020 HK$'000
Cost of inventories sold		**1,524,674**	1,125,576
Cost of services provided		**20,173**	22,278
Depreciation of property, plant and equipment	14	**58,188**	71,562
Depreciation of right-of-use assets	15(a)	**14,795**	18,474
Amortisation of intangible assets*	16	**5,239**	72,070
Lease payments not included in the measurement of lease liabilities	15(c)	**1,750**	1,645
Auditor's remuneration		**7,800**	5,800
Employee benefit expenses (including directors' emoluments):			
Salaries, bonuses and other benefits		**111,926**	104,652
Contribution to defined contribution plans		**18,906**	31,680
		130,832	136,332

8. LOSS BEFORE TAX (Continued)

	Note	**2021** **HK$'000**	2020 HK$'000
Impairment of goodwill@	17	**27,805**	869,627
Impairment of property, plant and equipment@	14	**11,313**	158,983
Impairment of right-of-use assets@	15(a)	**–**	9,046
Impairment of intangible assets@	16	**6,894**	660,499
Impairment/(reversal of impairment) of investments in associates@	19(d)	**(266)**	159,899
Impairment of investments in joint ventures@	20(d)	**–**	177,750
Impairment of deposit for acquisition of subsidiaries#	21(d)	**145,739**	772,033
Impairment of deposit 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 of trade receivables, net#	24(b)	**26,009**	135,864
Impairment of loan and bond receivables and other receivables, net#	26(d)	**79,370**	578,806
Income from recovery of assets^&		**–**	(65,000)
Provision for liability&	40	**79,673**	–

* 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 impairment losses on financial assets" in profit or loss.

@ Impairment of other assets for the year is included in "Impairment losses on other assets, net" in profit or loss.

& These items are included in "Other expenses" in profit or loss.

^ In August 2021, the board of directors 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 a person (the "Person") who did not appear to have a business relationship with the Group, 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. The Group recognised HK$65 million as other receivable as at 31 December 2020 and the same amount was credited to profit or loss in 2020. HK$42 million had been settled by the Buyer to the Group according to the terms of the agreement during the year.

9. FINANCE COSTS

	2021 *HK$'000*	2020 *HK$'000*
Interest on bank borrowings	**81,703**	86,195
Interest on other borrowings	**49,608**	74,739
Interest on convertible bonds	**–**	33,670
Interest on lease liabilities	**987**	858
	132,298	195,462

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

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

	Group	
	2021 *HK$'000*	2020 *HK$'000*
Fees	**1,053**	789
Other emoluments:		
Salaries, allowances and benefits in kind	**3,326**	5,494
Discretionary bonuses	**–**	1,456
Contribution to defined contribution plans	**783**	510
	4,109	7,460
	5,162	8,249

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 2021	Fee	Salaries and allowances	Discretionary bonuses	Contribution to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Li Weiqi *(Chief executive officer)*[5]	–	882	–	209	1,091
Mr. Jin Qiang	–	698	–	209	907
Ms. Yang Fuyan[1]	–	698	–	209	907
Mr. Ye Hongjun[1]	–	1,048	–	156	1,204
	–	3,326	–	783	4,109
Non-executive directors					
Mr. Zhi Xiaoye[7]	–	–	–	–	–
Mr. Cheng Ming Kit[8]	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Lim Siang Kai[6]	260	–	–	–	260
Mr. Ma Arthur On-hing	120	–	–	–	120
Mr. Wee Piew[6]	189	–	–	–	189
Mr. Cui Yulei[3]	242	–	–	–	242
Ms. Hsu Wai Man Helen[3]	242	–	–	–	242
	1,053	–	–	–	1,053
	1,053	3,326	–	783	5,162

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

(a) Directors' remuneration (Continued)

Notes:

(1) Ms. Yang Fuyan and Mr. Ye Hongjun were appointed as executive directors of the Company with effect from 6 July 2020.

(2) Mr. Hung Tao resigned as executive director of the Company with effect from 6 July 2020.

(3) 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.

(4) Mr. Pang Siu Yin resigned as an independent non-executive director of the Company with effect from 6 July 2020.

(5) Mr. Li Weiqi was re-appointed as an executive director of the Company with effect from 6 July 2020.

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

(7) Other than Mr. Zhi Xiaoye who waived his remuneration from the Company for each of the years ended 31 December 2021 and 2020, there was no agreement under which a director waived or agreed to waive any remuneration during these years.

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

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

(a) Directors' remuneration (Continued)

Year ended 31 December 2020	Fee	Salaries and allowances	Discretionary bonuses	Contribution to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Li Weiqi[5]	–	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[2]	–	987	106	11	1,104
	–	3,174	106	492	3,772
Non-executive directors					
Mr. Zhi Xiaoye[7]	–	–	–	–	–
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[6]	283	–	–	–	283
Mr. Ma Arthur On-hing	120	–	–	–	120
Mr. Wee Piew[6]	207	–	–	–	207
Mr. Cui Yulei[3]	58	–	–	–	58
Ms. Hsu Wai Man Helen[3]	58	–	–	–	58
Mr. Pang Siu Yin[4]	63	–	–	–	63
	789	–	–	–	789
	789	5,494	1,456	510	8,249

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2020: three directors), details of whose remuneration are set out in the analysis presented above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
Salaries and other benefits	**3,416**	2,573
Performance related bonuses	**187**	189
Contribution to defined contribution plans	**54**	36
	3,657	2,798

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

	Number of individuals	
	2021	2020
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	1

During the years ended 31 December 2021 and 2020, 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 2021 and 2020.

11. INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: 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.

	2021 HK$'000	2020 HK$'000
Current – Mainland China	11,010	33,506
Under provision of current income tax in prior years	520	39,794
Deferred (note 34)	(3,031)	(184,126)
Total tax expense/(credit) for the year	8,499	(110,826)

Reconciliation of income tax

	2021 HK$'000	2020 HK$'000
Loss before tax	(270,058)	(3,917,228)
Income tax at applicable tax rate of 25% (2020: 25%)	(67,514)	(979,307)
Tax effect of expenses not deductible for tax purpose	166,013	895,951
Tax effect of income not taxable for tax purpose	(21,121)	(353)
Tax effect of tax losses not recognised	24,173	23,275
Tax effect of share of results of associates and joint ventures	(93,572)	(90,186)
Adjustments in respect of current tax of prior years	520	39,794
Income tax expense/(credit) for the year	8,499	(110,826)

12. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of HK$275,400,000 (2020: HK$3,716,327,000), and the weighted average number of ordinary shares of 12,986,114,715 (2020: 12,986,114,715) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for each of the years ended 31 December 2021 and 2020 for a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. DIVIDENDS

The board of directors of the Company did not recommend payment of dividend for the years ended 31 December 2021 and 2020.

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2021

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2020

	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	Construction in progress HK$'000	Total HK$'000
At 1 January 2020:								
Cost	88,502	273,436	141,363	5,386	16,745	3,391	74,553	603,376
Accumulated depreciation	(22,078)	(46,031)	(37,797)	(3,354)	(10,798)	(2,263)	–	(122,321)
Net carrying amount	66,424	227,405	103,566	2,032	5,947	1,128	74,553	481,055
At 1 January 2020, net of accumulated depreciation	66,424	227,405	103,566	2,032	5,947	1,128	74,553	481,055
Transfer from right-of-use-assets (note b)	–	145,408	9,420	69	4,472	–	–	159,369
Additions	3,305	3,999	10,716	274	429	–	29,775	48,498
Acquisition of subsidiaries (note 37)	–	–	4,696	5	–	–	16,702	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))	(15,560)	(87,755)	(13,830)	–	–	–	(41,838)	(158,983)
Transfers	7,300	15,763	–	–	–	–	(23,063)	–
Exchange realignment	5,245	19,887	7,973	50	801	26	5,984	39,966
At 31 December 2020, net of accumulated depreciation and impairment	61,156	281,083	101,162	1,816	8,074	473	62,113	515,877
At 31 December 2020:								
Cost	104,352	458,493	172,039	5,784	20,707	3,417	103,951	868,743
Accumulated depreciation and impairment	(43,196)	(177,410)	(70,877)	(3,968)	(12,633)	(2,944)	(41,838)	(352,866)
Net carrying amount	61,156	281,083	101,162	1,816	8,074	473	62,113	515,877

Notes:

(a) (i) As at 31 December 2021, certain property, plant and equipment of the Group with a total carrying amount of approximately HK$22,387,000 (2020: HK$9,000,000) were pledged as security for the Group's bank borrowings of approximately HK$24,515,000 (2020: HK$23,831,000) (note 32(b)(i)).

(ii) As at 31 December 2021, certain buildings and gas pipelines of the Group with total carrying amounts of approximately HK$103,881,000 (2020: HK$151,754,000) were pledged as security for the Group's other borrowings amounting to HK$96,765,000 (2020: HK$127,646,000) (note 32(b)(iii)).

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (Continued)

(b) 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.

During the preparation of the Group's FY2020 financial statements, the Company's board of directors reassessed the accounting treatment and was of the view that the Group was in fact having control over the gas pipelines as the Group had 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 did 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 board of directors revised the accounting treatment and classified the carrying amount of the gas pipelines of approximately HK$159 million to property, plant and equipment and the amount due to the Lender of approximately HK$142 million as other loans as at 31 December 2020 and no prior year adjustments were made.

(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 2021 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 were engaged in the direct supply of natural gas to local industrial users. Details of the key assumptions used in estimations of the recoverable amounts of the related assets for impairment assessment purpose are set out in note 18 to the financial statements.

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises 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 20-50 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.

15. LEASES (Continued)

(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$'000	Prepaid land leases HK$'000	Total HK$'000
At 1 January 2020	19,667	145,408	9,420	69	4,472	43,796	222,832
Transfer to property, plant and equipment (note 14) (note (e))	–	(145,408)	(9,420)	(69)	(4,472)	–	(159,369)
Additions	–	–	–	–	–	9,980	9,980
Depreciation charged (note 8)	(8,990)	–	–	–	–	(9,484)	(18,474)
Impairment (note 8)	–	–	–	–	–	(9,046)	(9,046)
Exchange realignment	704	–	–	–	–	246	950
At 31 December 2020 and 1 January 2021	11,381	–	–	–	–	35,492	46,873
Additions	18,835	–	–	–	–	–	18,835
Depreciation charged (note 8)	(8,897)	–	–	–	–	(5,898)	(14,795)
Exchange realignment	352	–	–	–	–	1,669	2,021
At 31 December 2021	21,671	–	–	–	–	31,263	52,934

Based on the results of the impairment tests performed by the management, impairment loss of HK$9,046,000 had been recognised in profit or loss in 2020, 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:

	2021 HK$'000	2020 HK$'000
Carrying amount at 1 January	12,235	161,751
Transfer to bank and other borrowings (note (e))	–	(141,510)
New leases	15,969	–
Accretion of interest recognised during the year	987	858
Payments	(9,326)	(9,615)
Exchange realignment	383	751
Carrying amount at 31 December	20,248	12,235
Analysed into:		
Current portion	9,324	4,570
Non-current portion	10,924	7,665
	20,248	12,235

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

	2021 HK$'000	2020 HK$'000
Interest on lease liabilities	987	858
Depreciation charge of right-of-use assets	14,795	18,474
Expense relating to short-term leases (included in administrative expenses)	1,750	1,645
Impairment of right-of-use assets	–	9,046
Total amount recognised in profit or loss	17,532	30,023

(d) The total cash outflow for leases is as follows:

	2021 HK$'000	2020 HK$'000
Within operating activities	1,750	1,645
Within investing activities	2,866	8,229
Within financing activities	9,326	9,615
Total cash outflow	13,942	19,489

15. LEASES (Continued)

(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 14(b) to the financial statements.

16. INTANGIBLE ASSETS

Operating rights	**2021** **HK$'000**	2020 HK$'000
At 1 January:		
Cost	**1,398,649**	1,398,649
Accumulated amortisation and impairment	**(975,905)**	(235,901)
Net carrying amount	**422,744**	1,162,748
Net carrying amount:		
At 1 January	**422,744**	1,162,748
Correction of prior year error *(note 2.3)*	**(339,906)**	–
Amortisation provided during the year *(note 8)*	**(5,239)**	(72,070)
Reallocation of consideration *(note 18(a))*	**–**	(7,435)
Impairment provided during the year *(note 8)*	**(6,894)**	(660,499)
At 31 December	**70,705**	422,744
At 31 December:		
Cost	**677,224**	1,398,649
Accumulated amortisation and impairment	**(606,519)**	(975,905)
Net carrying amount	**70,705**	422,744

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

17. GOODWILL

	2021 HK$'000	2020 HK$'000
Cost and net carrying amount:		
At 1 January	**257,447**	1,475,408
Correction of prior year error *(note 2.3)*	**344,932**	–
Acquisition of subsidiaries *(note 37)*	**23,409**	–
Reallocation of consideration *(note 18(a))*	**–**	(348,334)
Impairment provided during the year *(notes 8,18)*	**(27,805)**	(869,627)
At 31 December	**597,983**	257,447

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 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 post-tax discount rate applied to the cash flow projection ranging from 10% to 11.9% (2020: 10.38% to 18.54%), 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 3% (2020: 2.6%) is used after this 5-year to 10-year period.

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

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill, 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 refueling station operation, the budgeted revenue is based on the projected distribution quantity, and the latest selling price.
- ***Budgeted gross margins***
  - The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, having adjusted for expected efficiency improvements, and expected market development.
- ***Discount rates***
  - The discount rates used are after tax and reflect specific risks of the respective segments.
  - The pre-tax discount rates applied in the cash flow projections ranged from 13.33% to 15.87% (2020: 13.84% to 24.72%).
- ***Business environment***
  - There have been no major changes in the existing political, legal and economic conditions in Mainland China.

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

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

- ***Direct supply to industrial users of natural gas business***

  Certain of the Group's subsidiaries were engaged in the direct supply of natural gas to local industrial users. To provide such services to the customers, the Group was required to install certain equipment and facilities in the customers' premises, including equipment for transforming LNG into piped gas and natural gas storage facilities. As disclosed in the Group's FY2020 Financial statements, the board of directors noticed that the scope of operation as stated in the business licenses of the related subsidiaries did not include the processing of natural and storage of natural gas. Despite that there was no evidence that the Group had violated the current law and regulations in Mainland China, in order to fully eliminate the related operating risk, subsequent to the issuance of the Group's FY2020 Financial Statement, the Group had taken the appropriate measures to cope with the situation by leasing out majority of non-temporary direct supply facilities (including storage facilities) which were outside the permitted scope of business licenses to third parties (the "Operators") who operate the facilities thereafter whereby the Group receives rental income from the Operators and natural gas is sold by the Group directly to the end user of natural gas. The board of directors is of the view that the new arrangement does not have significant impact to the future cash flow of the Group's direct supply of natural gas business.

  In addition, in 2021, a weighted average cost of capital of 10% was applied to the cash flow projections of the Group's direct supply of natural gas business after the 5 years forecast period. In the opinion of the board of directors, an increase in the weighted average cost of capital to 11% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately HK$6 million, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

- ***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 every two years. For impairment assessment purpose, the Company's board of directors 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 these subsidiaries of HK$27,805,000 (2020: HK$869,627,000) and HK$6,894,000 (2020: HK$660,499,000) were considered necessary, respectively, which were charged to profit or loss for the year ended 31 December 2021:

At 31 December 2021

	Net balance *HK$'000*
Goodwill	
Energy Shell Limited ("Energy Shell")	6,433
Day Zone Limited ("Day Zone")	6,674
OctoNet Limited and August Zone Limited ("OctoNet and August Zone Group")@	105,891
Top Grand Global Limited ("Top Grand")@	370,764
Rainbow Leap Limited ("Rainbow Leap")	103,248
上海萬興能源技術有限公司 (Shanghai Wanxing Energy Technology Co., Ltd) ("Shanghai Wanxing")	4,973
	597,983

@ The opening balances of goodwill and intangible assets as at 1 January 2021 have been restated for the correction of prior years errors as further detailed in note 2.3 to the financial statements.

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*** **(Continued)**

At 31 December 2021 (Continued)

	Net balance *HK$'000*
Intangible assets	
Smart Union Holdings Limited ("Smart Union")	**3,500**
OctoNet and August Zone	**19,969**
Top Grand	**47,236**
	70,705

At 31 December 2020

	Carrying amount *HK$'000*	Reallocation of consideration# *HK$'000*	Impairment *HK$'000*	Net balance *HK$'000*
Goodwill				
Cloud Decade	268,362	–	(268,362)	–
Shine Great	3,549	–	(3,549)	–
Energy Shell	157,329	–	(150,896)	6,433
Haikou Xinyuan	113,594	–	(109,199)	4,395
Diamond Maple	100,204	(100,204)	–	–
Day Zone	140,815	(134,141)	–	6,674
OctoNet and August Zone Group	224,154	–	(224,154)	–
Top Grand	131,724	–	–	131,724
Rainbow Leap	330,704	(113,989)	(113,467)	103,248
Shanghai Wanxing	4,973	–	–	4,973
	1,475,408	(348,334)	(869,627)	257,447

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* (Continued)

At 31 December 2020 (Continued)

	Carrying amount *HK$'000*	Reallocation of consideration# *HK$'000*	Impairment *HK$'000*	Net balance *HK$'000*
Intangible assets				
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 for acquisitions of subsidiaries in relation to Zhejiang Bochen, details of which are disclosed in note 21(a) to the financial statements.

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

In respect of the loss-making operations, the directors of the Company 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.

Based on the VIU assessment of the CGUs of these operations, the Company's board of directors is of the opinion that impairment losses of HK$11,313,000 (2020:HK$168,029,000) against the property, plant and equipment (2020: property, plant and equipment and right-of-use assets) were considered necessary which were recognised as "Impairment losses on other assets, net" in profit or loss during the year:

	2021 ***HK$'000***	2020 *HK$'000*
Natural gas refueling station	**11,313**	43,555
Trading and distribution of natural gas	**–**	6,657
City gas, pipeline construction, value-added service and others	**–**	117,817
	11,313	168,029

19. INVESTMENTS IN ASSOCIATES

	Notes	2021 HK$'000	2020 HK$'000
Investments in associates, included in non-current assets:			
Share of net assets		**2,108,829**	1,881,140
Goodwill on acquisition		**130,810**	130,810
		2,239,639	2,011,950
Impairment	(d)	**(159,633)**	(159,899)
		2,080,006	1,852,051
Due from associates, included in current assets		**32,794**	31,998
Impairment	(b)	**(30,809)**	(30,809)
		1,985	1,189
Due to associates, excluding trade payables, included in current liabilities	(b)	**(1,481)**	(4,411)
		2,080,510	1,848,829

Notes:

(a) Particulars of the Group's principal associates are as follows:

Name of entities	Place of incorporation	Issued capital/ paid-up capital	Percentage of: Ownership interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
中石油京唐液天然氣有限公司 (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
海南大眾天然開發利用有限公司 (Hainan Dazhong Natural Gas Development Co., Ltd.)#	The PRC	RMB30,000,000	26%	26%	26%	Sales and distribution of LNG through gas refueling station for vehicles

\# In the opinion of the directors, the associate is not individually material to the Group. Hence, no disclosure of its financial information has been made.

(b) The balances with associates are unsecured, interest-free and are repayable on demand.

As material uncertainty on the recoverability was noted, impairment of HK$30,809,000 (note 8) was recognised in 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 PetroChina Jingtang, which has been adjusted to reflect the fair values of identifiable assets and liabilities at the completion date of acquisition by the Group, and reconciled to the carrying amount in the consolidated financial statements:

	PetroChina Jingtang	
	2021	2020
	HK$'000	*HK$'000*
Current assets	**1,926,313**	1,893,406
Non-current assets	**5,557,929**	5,710,659
Current liabilities	**(420,984)**	(378,990)
Non-current liabilities	**–**	(950,941)
Net assets	**7,063,258**	6,274,134
Reconciliation to the Group's investments in the associates		
Proportion of the Group's ownership	**29%**	29%
Group's share of net assets of the associate	**2,048,345**	1,819,499
Carrying amount of the investments	**2,048,345**	1,819,499
Other disclosures		
Revenue	**2,415,017**	2,066,040
Profit for the year	**1,296,639**	1,112,399
Profit for the year attributable to shareholders of the associates	**1,296,639**	1,112,399
Share of the associate's profit	**376,025**	322,596
Dividend received/receivable by the Group	**209,622**	198,586

(d) The movements in accumulated impairment for the investments in associates during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**159,899**	–
Impairment/(reversal of impairment) provided during the year (note 8, note(f))	**(266)**	159,899
At 31 December	**159,633**	159,899

19. INVESTMENTS IN ASSOCIATES (Continued)

Notes: (Continued)

(e) The following table illustrates the aggregate financial information of the Group's associates that are not individually materials:

	2021	2020
	HK$'000	*HK$'000*
Share of the associates' loss for the year	**1,736**	2,649
Share of the associates' other comprehensive income for the year	**725**	9,818
Share of net assets of the associates, net of impairment *(note(f))*	**31,661**	9,084

(f) As disclosed in the Group's FY2020 Financial Statements, the Company's board of directors noticed that two investments in associates acquired by the Group in prior years with an aggregate carrying amount of HK$119 million as at 31 December 2020 (prior to the adjustments as described below):

(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 was under liquidation as at the date of approval of the Group's FY2020 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 on the aforesaid investments was recognised in the year ended 31 December 2020.

20. INVESTMENTS IN JOINT VENTURES

	Notes	2021 HK$'000	2020 HK$'000
Investments in joint ventures, included in non-current assets:			
Share of net assets		**19,522**	182,528
Goodwill on acquisition		**138,893**	184,840
		158,415	367,368
Impairment	(d)	**(138,893)**	(177,750)
		19,522	189,618
Due from joint ventures, included in current assets	(c)	**69,989**	41,750
Due to joint ventures, included in current liabilities	(c)	**(70,152)**	(151,341)
Due to joint ventures, excluding trade payables, included in non-current liabilities	(c)	**–**	(16,963)
		19,359	63,064

Notes:

(a) Particulars of the Group's material joint venture as at 31 December 2020 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)	65%	Finance leasing/ PRC

As disclosed in the Group's FY2020 Financial Statements, the Group held a 65% equity interest in Qian Tang which had been accounted for as a joint venture of the Group since it was established, due to a contractual agreement entered into with the then JV Partner (the "Initial Partner", which held 35% of the equity interest of Qian Tang), for the sharing of control over Qian Tang. The board of directors also noted that in December 2017, the beneficial holder of the 35% equity interest of Qian Tang was changed to another party (the "New JV Partner") and the then management 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 latest articles of association of Qian Tang, the business, financial and operational matters of Qian Tang (the "Relevant Activities") are approved by the board of directors of Qian Tang, while the board of directors are appointed by the shareholders by simple majority of votes by them. The board of directors 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.

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

(a) (Continued)

However, the board of directors noted that the Group had been having a dispute with the New JV Partner (who was also a director and the general manager of Qian Tang) and the company chop, legal representative chop, and business license were being kept by the New JV Partner. The board of directors also represented that certain accounting vouchers were kept by the New JV Partner and only the accounting system could be accessed by the board of directors. Due to inability to control the Relevant Activities of Qian Tang, the board of directors continued to account for Qian Tang as a joint venture during the year ended 31 December 2020.

In August 2021, a shareholders' meeting was held by Qian Tang and it was resolved that Mr. Cheng (the previous legal representative of Qian Tang) be removed from the board (while the New JV Partner remains a director) and it was resolved that the company chop of Qian Tang should be passed to and to be managed by a new director of Qian Tang (who is representing the Group). In late September 2021, a board meeting was held by Qian Tang and it was resolved that Mr. Cheng would no longer be the legal representative of Qian Tang and the New JV Partner's duty as the general manager of Qian Tang be suspended.

In November 2021, legal action was taken by the Group against the New JV Partner for keeping, among others, the company chop, legal representative chop, business license and financial records of Qian Tang. The local court has accepted the case but the trial has not yet commenced up to the date of approval of these financial statements. In January 2022, the Group also applied for preservation of, among others, the company chop, legal representative chop and business license of Qian Tang before the trial, and in late January 2022 the court issued an order to prohibit the New JV Partner to use the aforesaid chops and business license of Qian Tang during the trial. However, despite the court order, the New JV Partner has yet to return the aforesaid chops and business license to Qian Tang.

According to the legal opinion issued by the Group's PRC legal advisor in February 2022, the aforesaid shareholders' meeting and directors' meeting held in August 2021 and September 2021 are legally effective according to PRC law and the Group has sufficient legal grounds to request the New JV Partner to return, among others, the company chop, legal representative chop and business license to Qian Tang. In respect of the return of the accounting records of Qian Tang by the New JV Partner, the PRC legal advisor is of the view that the current evidence may not be sufficient to prove that part of the accounting records were kept by the New JV Partner. However, for the preparation of the Group's financial statements for the year ended 31 December 2021, the Group was able to obtain sufficient financial information of Qian Tang and based on the internal and external supporting evidence obtained by the Group, the board of directors are of the view that the financial information of Qian Tang is accurate.

In the view of the board of directors, according to the legal opinion issued by the PRC legal advisors, the Group has sufficient legal grounds to request the New JV Partner to return the company chop, legal representative chop and business license to Qian Tang, which indicates that the Group is able to control the Relevant Activities through shareholders' meetings and the control over the composition of the board of directors of Qian Tang according to the current articles of association and PRC law. Thus in the opinion of the directors, Qian Tang should be reclassified from a joint venture to a subsidiary of the Group during the year ended 31 December 2021. Accordingly, the Group ceased to apply equity accounting on its investment in Qian Tang starting from 31 December 2021 and the financial information of Qian Tang was consolidated in the Group's consolidated statement of financial position starting from that date. The financial performance of Qian Tang and the reclassification had an insignificant financial impact to the Group's profit or loss during the year ended 31 December 2021.

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

(b) Financial information of individually material joint venture

Summarised financial information of Qian Tang, the material joint venture of the Group for the year ended 31 December 2020, is set out below, which represents amounts shown in the joint venture's financial statements.

	2020 *HK$'000*
Cash and cash equivalents	358
Other current assets	181,862
Current assets	182,220
Non-current assets, excluding goodwill	15,752
Goodwill on acquisition of the joint venture	7,090
Financial liabilities, excluding trade and other payables and provisions	(903)
Other current liabilities	(22,657)
Current liabilities	(23,560)
Non-current liabilities	(1,977)
Net assets	179,525
Net assets, excluding goodwill	172,435
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership interest	65%
Group's share of net assets of the joint venture,excluding goodwill *(note (d))*	168,301
Goodwill on acquisition, net of impairment	7,090
Carrying amount of the investment	175,391
Revenue	4,495
Loss and total comprehensive loss for the year ended 31 December 2020	(826)
Group's share of loss of the year and total comprehensive loss for the year	(537)

(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 accumulated impairment for the investments in joint ventures during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**177,750**	–
Impairment provided during the year (note 8)	**–**	177,750
Written off	**(38,857)**	–
At 31 December	**138,893**	177,750

Since some of the joint ventures were loss-making in the past few years, impairment loss of HK$177,750,000 was recognised in 2020.

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

	2021 **HK$'000**	2020 HK$'000
Share of the joint ventures' loss for the year	**–**	11,230
Share of the joint ventures' total comprehensive income	**–**	12,117
Aggregate carrying amount of the Group's investments in the joint ventures	**19,522**	14,227

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

	2021 **HK$'000**	2020 HK$'000
Deposit for acquisition of subsidiaries	**1,201,236**	883,126
Reallocation of consideration (note 18(a))	**–**	355,769
Acquisition of subsidiaries during the year (note 37)	**–**	(31,590)
Impairment (note (d))	**(917,772)**	(772,033)
	283,464	435,272

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

(a) The amount as at 31 December 2021 included HK$226 million (2020: HK$226 million) of deposits paid for the acquisition of equity interest in 浙江博臣能源股份有限公司 (Zhejiang Bochen Energy Co., Ltd. ("Zhejiang Bochen").

As disclosed in the Group's FY2020 Financial Statements, the Company's board of directors noted that the Group acquired certain subsidiaries and a joint venture previously held by Zhejiang Bochen and total consideration of RMB622 million was paid by the Group for the acquisitions in prior years. Up to the date of approval of the Group's FY2020 Financial Statements, according to the then negotiation status, the then shareholders of Zhejiang Bochen had agreed to transfer the equity interests in Zhejiang Bochen to the Group (the "Remaining Acquisition") at nil consideration but the transfer was not yet completed. The board of directors also noted that certain amounts had been overpaid by the Group for the acquisitions.

During the preparation of the Group's FY2020 Financial Statements, the Company's board of directors had reallocated the consideration paid by the Group to each of the previous acquisitions and remaining amount was accounted for as deposits for acquisitions as at 31 December 2020 for the Remaining Acquisition. Impairment of approximately HK$113 million and approximately HK$71 million was recognised on the Group's goodwill and deposits for acquisitions of subsidiaries, respectively, for the amounts overpaid by the Group, and a further impairment of approximately 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 Company's board of directors estimated that the recoverable amount of the Remaining Acquisition might be less than the carrying amount of the deposits after the reallocation of the consideration. The carrying amount of the deposits for acquisition of subsidiaries as at 31 December 2020 in respect of the Remaining Acquisition after the aforesaid adjustments amounted to HK$226 million and the amount had been carried forward to 31 December 2021 as the Remaining Acquisition was not yet completed as of that date.

On 25 February 2022, an equity transfer agreement was entered into between the Group and the shareholders of Zheijiang Bochen for the Remaining Acquisition, pursuant to which the shareholders of Zheijiang Bochen agreed to transfer the equity interests of Zheijiang Bochen to the Group at HK$226 million and the shareholders of Zheijiang Bochen had acknowledged that the receipts of the consideration prior to the execution of the equity transfer agreement and no further consideration in relation to the acquisition shall be payable by the Group. The completion of the Remaining Acquisition took place on 28 February 2022, details of which are disclosed in the public announcement made by the Group on 12 April 2022.

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(b) The amount as at 31 December 2020 included HK$86 million of deposits paid for the acquisition of 51% equity interest in 唐山華普燃氣有限公司 (Tangshan Huapu Gas Co., Ltd., "Tangshan Huapu"). As disclosed in the Group's FY2020 Financial Statements, the board of directors noted that in 2018, one of the Relevant Companies (as further detailed in note 2.2 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 board of directors 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 Group's FY2020 Financial Statements.

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 board of directors 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 board of directors that he only received RMB86.7 million (equivalent to HK$103 million as at 31 December 2020) from the Group in respect of the acquisition of 51% equity interest in Tangshan Huapu. The board of directors 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 memorandum 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 the equity interest of Tangshan Huapu.

In preparing the Group's FY2020 Financial Statements, the board of directors was of the view that the amounts that were not received by the Tangshan Huapu Original Shareholder were 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 ended 31 December 2020. The carrying amount of the deposits paid as at 31 December 2020 amounted to HK$86 million (after impairment adjustments).

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

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(c) The amount as at 31 December 2020 included HK$50 million of deposits paid for the acquisition of further 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") (both non-wholly owned subsidiaries of the Group) from the non-controlling shareholder of Shanxi Minsheng and Yongji Minsheng (the "Shanxi Minsheng Original Shareholder").

As disclosed in the Group's FY2020 Financial Statements, 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 agreements, 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 would be refunded to the Group if the acquisition was not completed within 9 months of the date of entering of the Investment Intention Agreements; and (iii) the amounts would 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 approximately HK$60 million (before provision of expected credit loss).

The acquisition transaction was not completed as at the date of approval of the Group's FY2020 Financial Statements but despite that the refund period of the deposits paid was already expired in February 2021 according to Investment Intention Agreements, the Company's board of directors was in negotiation with the Shanxi Minsheng Original Shareholder for the acquisition. Accordingly, the board of directors only recognised expected credit loss of HK$10 million during the year ended 31 December 2020. The carrying amount of the deposits paid as at 31 December 2020 amounted to approximately HK$50 million (after provision for expected credit loss).

Subsequent to the issuance of the Group's FY2020 Financial Statements, the Group continued to negotiate with the Shanxi Minsheng Original Shareholder on the final consideration for the acquisition but the Group was unable to come to an agreement with the Shanxi Minsheng Original Shareholder and the Company's board of directors decided to cease the acquisition. The board of directors considered that the chance of recovering the amount paid to the Shanxi Minsheng Original Shareholder to be low and thus full impairment of approximately HK$50 million on the deposits paid was recognised in profit or loss during the current year.

(d) The movements in the Group's impairment of deposits for acquisition of subsidiaries during the year are as follows:

	2021 ***HK$'000***	2020 *HK$'000*
At 1 January	**772,033**	–
Impairment loss *(note 8)*	**145,739**	772,033
At 31 December	**917,772**	772,033

22. DEPOSITS FOR ACQUISITION OF PROPERTIES, PLANT AND EQUIPMENT

	2021 HK$'000	2020 HK$'000
Deposit for acquisition of properties, plant and equipment	25,633	76,951
Impairment recognised during the year *(note 8)*	–	(49,598)
	25,633	27,353

Note:

The amount represented the deposits paid for acquisition of construction projects located in Mainland China. An impairment loss of HK$49,598,000 (note 8) was recognised in profit or loss during the year ended 31 December 2020 as the deposits were paid in several years ago with no progress on the construction, and the board of directors considered the recoverability was low.

23. INVENTORIES

	2021 HK$'000	2020 HK$'000
Construction materials	5,829	7,243
LNG and other consumables	9,434	11,152
	15,263	18,395

Note:

Since the existence of certain inventories as at 31 December 2020 was uncertain, a write-off of HK$59,809,000 (note 8) was recognised in profit or loss for the year ended 31 December 2020.

24. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	382,264	440,427
Impairment *(note (b))*	(221,542)	(191,080)
	160,722	249,347

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 details of which are included in note 6(b) to the financial statements. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivables.

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

	2021	2020
	HK$'000	*HK$'000*
Unbilled portion and billed within 3 months	**100,912**	170,841
Billed:		
4 to 6 months	**23,378**	8,404
7 to 12 months	**17,115**	11,934
Over 1 year	**19,317**	58,168
	160,722	249,347

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**191,080**	47,690
Impairment losses *(note 8)*	**26,009**	135,864
Exchange realignment	**4,453**	7,526
At 31 December	**221,542**	191,080

Individual assessment is performed on certain receivables with aggregate gross amount of HK$199,192,000 (2020: HK$142,393,000) before accumulated impairment of HK$178,243,000 (2020: HK$142,393,000), and an impairment loss of HK$31,397,000 (2020: HK$142,393,000) was recognised during the year.

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

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 using a provision matrix:

At 31 December 2021

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

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 (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

(c) Certain of the Group's trade receivables arising from gas connection services provided to property developers were 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 2021 and 2020. The properties that had been transferred to the Group as at 31 December 2021 and 2020 were recognised as investment properties as at 31 December 2021 and 2020, respectively.

	2021 ***HK$'000***	2020 *HK$'000*
Cost and net carrying amount at 1 January	**36,635**	–
Addition	**7,228**	36,635
Exchange realignment	**894**	–
Cost and net carrying amount at 31 December	**44,757**	36,635

Depreciation of the investment properties during the year is not material to the Group's financial statements. The fair value of the Company's investment properties at 31 December 2021 was approximately HK$44,757,000 (2020: HK$36,635,000), which was based on market research result from comparable properties nearby performed by senior management of the Group.

25. CONTRACT ASSETS

	2021	2020
	HK$'000	*HK$'000*
Contract assets arising from pipeline construction service	**25,965**	52,557

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 decreases in contract assets in 2021 were the result of the decrease in the provision of construction services close to the end of the current year.

Based on historical data and management's analysis, the loss on collection was not material and hence no provision for ECL against the contract assets as at 31 December 2021 was considered necessary (2020: Nil).

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		2021	2020
	Notes	***HK$'000***	*HK$'000*
Prepayments	(a)	**230,407**	330,774
Loan and bond receivables	(b)	**431,599**	421,618
Other receivables	(c)	**567,265**	419,816
		1,229,271	1,172,208
Impairment	(b), (d), (e)	**(717,936)**	(606,510)
		511,335	565,698
Portion classified as current assets		**(506,221)**	(564,896)
Non-current portion		**5,114**	802

Notes:

(a) Prepayments mainly included prepayment for purchase of natural gas, construction and related products of approximately HK$124,434,000 (2020: HK$260,062,000).

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probability of default rates are estimated based on comparable companies with published credit ratings. 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 forward-looking credit risk information. As at 31 December 2021, the probability of default applied ranged from 0.02% to 100% (2020: 1.88% to 100%) and loss given default was estimated at 60% (2020: 62.1% to 100%).

(c) (i) Other receivables at 31 December 2021 included certain deposits of nil (2020: HK$38,825,000) 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$20,920,000 (2020: HK$11,390,000).

(ii) Other receivables at 31 December 2021 included certain borrowings of HK$38,266,000 (2020: Nil) in total provided to a non-controlling interest of a subsidiary of the Group. The balance is unsecured, interest-free and repayable on demand.

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**606,510**	16,507
Impairment losses recognised, net *(note 8)*	**79,370**	578,806
Exchange realignment	**32,056**	11,197
At 31 December	**717,936**	606,510

The impairment losses recognised during the year ended 31 December 2020 included, among others, the following:

(i) Certain loans advanced by the Group to certain business parties with an aggregate carrying amount of HK$315 million as at 31 December 2020 for projects identified by the then management. The board of directors noted that 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 related projects would not proceed and according to the negotiation with certain of the counter parties and only HK$18 million could be recovered by the Group. Thus impairment losses on the remaining amounts of HK$297 million were recognised in 2020;

(ii) Certain amounts paid to individuals and companies without proper business reasons. The board of directors was of the view that the amounts were unlikely to be fully recovered by the Group and impairment losses of HK$40 million were recognised in 2020;

(iii) In addition to the advances of loans and other receivables as mentioned above, the board of directors also reassessed the impairment of the Group's other receivables (other than expected credit losses). As a result of the reassessment, impairment losses (other than expected credit losses) of HK$240 million were recognised in 2020; and

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(e) In respect of impairment consideration of the Group's other receivables (other than those based on individual assessment, an impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. At 31 December 2021, the probability of default applied for other receivables ranged from 1% to 28.6% (2020: 1.88% to 35.45%) and the loss given default was estimated to from 60% to 62.9% (2020: 62.1% to 63.5%).

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.

27. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 ***HK$'000***	2020 *HK$'000*
Unlisted equity investments, at fair value	**707**	696

(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) During the year ended 31 December 2020, the Company's board of directors noted that regarding certain financial assets at fair value through other comprehensive income acquired in prior years, the 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. Thus, write-off of HK$111 million on financial assets at fair value through other comprehensive income was recognised in other comprehensive income in the year ended 31 December 2020.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Unlisted fund investments	**17,381**	5,935
Listed equity securities	**340**	1,153
	17,721	7,088

(a) 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.

(b) During the year ended 31 December 2020, the board of directors noted that regarding certain financial assets at fair value through profit or loss acquired in prior years:

(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; and

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

In view of the above, write-off of approximately HK$224 million on a financial asset at fair value through profit or loss was recognised in profit or loss in 2020 (note 8).

29. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash and bank balances other than time deposits	**724,965**	455,396
Time deposits	**25,088**	297,005
	750,053	752,401
Less: Restricted cash and pledged deposits (note (c))	**(519,108)**	(46,993)
Cash and bank balances	**230,945**	705,408

Notes:

(a) At 31 December 2021, the cash and deposit balances of the Group denominated in RMB amounted to HK$699,948,000 (2020: HK$688,373,000). 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.

29. RESTRICTED CASH AND PLEDGED DEPOSITS AND CASH AND BANK BALANCES (Continued)

Notes: (Continued)

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits were made for seven days (2020: 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 and a financial institution with no recent history of default.

(c) (i) Bank deposits of HK$22,072,000 (2020: HK$Nil) which could mainly be used for the bank loan interest payment by the Group; and

(ii) Bank balances of HK$497,036,000 (2020: HK$46,993,000) as at 31 December 2021 were pledged to secure certain bank loans granted to the Group (note 32(b)(ii)).

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:

	2021	2020
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**136,226**	222,888
3 to 6 months	**8,780**	51,421
7 to 12 months	**29,477**	13,287
Over 12 months	**96,743**	27,454
	271,226	315,050
Unbilled	**23,148**	42,004
	294,374	357,054

31. OTHER PAYABLES AND ACCRUALS

	Notes	**2021** **HK$'000**	2020 *HK$'000*
Accruals		**34,359**	34,221
Other liabilities		**122,239**	113,846
Construction cost payables	(a)	**15,163**	15,384
Contract liabilities	(b)	**246,590**	268,668
Income tax payable		**53,636**	64,872
		471,987	496,991

Notes:

(a) The construction cost payables are normally due within one year from the date of recognition as set out in the agreements.

(b) Details of contract liabilities are as follows:

	31 December 2021 ***HK$'000***	31 December 2020 *HK$'000*	1 January 2020 *HK$'000*
Short-term advances received from customers in respect of:			
Sale of natural gas	**201,535**	205,814	120,230
Pipeline construction contracts	**45,055**	62,854	53,490
Total contract liabilities	**246,590**	268,668	173,720

The decrease in contract liabilities in 2021 was mainly due to the decrease in short-term advances received from customers in relation to the sale of natural gas and pipeline construction contracts at the end of the year.

32. BANK AND OTHER BORROWINGS

	2021 *HK$'000*	2020 *HK$'000*
Bank loans:		
Secured	**766,908**	650,631
Unsecured	**2,167,210**	1,955,102
	2,934,118	2,605,733
Corporate bonds:		
Unsecured	**518,854**	785,070
Other loans:		
Secured	**96,765**	121,646
Unsecured	**–**	6,000
	96,765	127,646
Total bank and other borrowings	**3,579,737**	3,518,449
Analysed into:		
Bank loans repayable:		
Within one year	**2,934,118**	2,591,490
In the second year	**–**	14,243
	2,934,118	2,605,733
Corporate bonds:		
Within one year	**518,854**	745,070
In the second year	**30,000**	40,000
	548,854	785,070
Other loans repayable:		
Within one year	**33,441**	28,238
In the second year	**63,324**	99,408
	96,765	127,646
Total bank and other borrowings	**3,579,737**	3,518,449
Portion classified as current liabilities	**(3,486,413)**	(3,364,798)
Non-current portion	**93,324**	153,651

32. BANK AND OTHER BORROWINGS (Continued)

Notes:

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

	2021	2020
	HK$'000	*HK$'000*
HK$	**2,886,589**	3,021,931
RMB	**124,957**	166,748
USD	**568,191**	329,770
	3,579,737	3,518,449

(b) (i) As at 31 December 2021, the bank borrowings of approximately HK$24,515,000 (2020: HK$23,831,000) were secured by certain property, plant and equipment of the Group with a total carrying amount of approximately HK$22,387,000 (2020: HK$9,000,000), shares charged over 100% of a subsidiary of the Company and guarantee from the substantial shareholder of the Company.

(ii) A Group's secured bank borrowings of approximately HK$742,393,000 (2020: HK$626,800,000) were secured by the Group's bank balances of HK$497,036,000 (2020: HK$46,993,000) as at 31 December 2021 (note 29(c)(ii)).

(iii) As at 31 December 2021, the other borrowings of approximately HK$96,765,000 (2020: HK$121,646,000) were secured by certain buildings and gas pipelines of the Group with total carrying amounts of approximately HK$103,881,000 (2020: HK$151,574,000).

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

	2021	2020
	%	*%*
Effective interest rate:		
Fixed-rate bank borrowings	**2.69**	3.04
Variable-rate bank borrowings	**1.83 – 4.53**	1.84 – 4.54
Fixed-rate other borrowings	**6.35**	5.53

(d) The loan agreements in respect of certain bank loans outstanding as at 31 December 2021 include certain conditions imposing specific performance obligations on the Company. As disclosed in note 2.2 to the financial statements, certain events of default have been triggered as at 31 December 2021. Bank and other borrowings with aggregate carrying amount of HK$1,301 million as at 31 December 2021 (2020:HK$1,412 million) have been reclassified to current liabilities.

33. SHARE CAPITAL

	2021 HK$'000	2020 HK$'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 (2020: 12,986,114,715) ordinary shares of HK$0.055 each	**714,236**	714,236

There is no movement in the issued share capital of the Company during the year (2020: Nil).

34. DEFERRED TAX

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:

	2021 HK$'000	2020 HK$'000
At 1 January	**105,686**	289,812
Correction of prior year error *(note 2.3)*	**(85,153)**	–
Deferred tax credited to profit or loss *(note 11)*	**(3,031)**	(184,126)
At 31 December	**17,502**	105,686

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 tax has not been provided for in the consolidated financial statements in respect of 10% withholding tax attributable to undistributed profits amounting to approximately HK$1,289,965,000 (2020: HK$908,292,000) of certain PRC subsidiaries. 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 2021, the Group had tax losses of approximately HK$263,970,000 (2020: HK$136,687,000) 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 indefinitely against future taxable profits. Out of this amount, unrecognised tax losses of HK$48,831,000 (2020: HK$24,583,000) will expire in one to five years.

35. 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 of the Company 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 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of option will be subjected to the shareholders' approval in general meeting.

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

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

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

35. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

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, representing 0.2% of the shares of the Company in issue at that date.

During the year ended 31 December 2021, all outstanding share options were forfeited upon resignation/removal of the directors.

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

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

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

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

35. 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 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	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. 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.

37. 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	2021 HK$'000 (note (a))	2020 HK$'000 (note (b))
Net assets acquired:			
Property, plant and equipment	14	–	21,403
Investment in a joint venture		12,109	6,581
Financial asset at fair value through profit or loss		17,381	–
Trade receivables		5,220	1,311
Prepayments, other receivables and other assets		168,062	8,916
Cash and cash equivalents		–	3,475
Trade and bills payables		–	(692)
Other payables, accruals and contract liabilities		(46,869)	(10,240)
Total identifiable net assets at fair value		155,903	30,754
Non-controlling interests		(3,921)	836
		151,982	31,590
Goodwill on acquisition	17	23,409	–
		175,391	31,590
Satisfied by:			
Reclassification from interests in joint ventures to interests in subsidiaries		175,391	–
Deposit paid in prior year		–	31,590
		175,391	31,590

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2021 HK$'000	2020 HK$'000
Cash and bank balances acquired	–	3,475
Net inflow of cash and bank balances included in cash flows from investing activities	–	3,475

37. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Business combinations during the year ended 31 December 2021 included, inter alia, the following material transactions:

(i) In 2021, the Group further acquired shareholding over certain joint ventures which are principally engaged in energy supply business, at Nil consideration, these entities become wholly owned subsidiaries upon the completion of the acquisition; and

(ii) Reclassification of Qian Tang from a joint venture to a subsidiary, details of which are included in note 20(a) to the financial statements.

There were material changes to the revenue and loss of the Group for the year had the above acquisition been effected at the beginning of the reporting period.

(b) In June 2020, the Group acquired Golden Scenery and its subsidiaries 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 of HK$31,590,000 was determined based on the cost reallocation of the Zhejiang Bochen Group, details of which are included in note 21(a) to the financial statements.

Had the above acquisition been effected at the beginning of the prior year, 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 then ended would have been approximately HK$3,800,921,000.

38. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

(i) During the year, the Group had non-cash addition to right-of-use assets and lease liabilities of HK$15,969,000 (2020: nil) in respect of lease arrangements for office premises.

(ii) 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 note 37(b) to the financial statements.

38. ADDITIONAL INFORMATION ON CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Amounts due to joint ventures	Bank and other borrowings	Amounts due to associates	Lease liabilities	Convertible bonds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	135,148	2,485,921	–	161,751	373,412
Financing cash flow, net	41,168	891,018	4,435	(9,615)	(402,065)
Reclassification (note 14(b))	–	141,510	–	(141,510)	–
Interest expenses	–	–	–	858	33,670
Interest paid	–	–	–	–	(5,017)
Exchange realignment	(8,012)	–	(24)	751	–
At 31 December 2020 and 1 January 2021	168,304	3,518,449	4,411	12,235	–
Financing cash flow, net	–	61,288	(3,022)	(9,326)	–
Additions	–	–	–	15,969	–
Interest expenses	–	–	–	987	–
Elimination upon acquisition of subsidiaries	(101,883)	–	–	–	–
Exchange realignment	3,731	–	92	383	–
At 31 December 2021	70,152	3,579,737	1,481	20,248	–

39. 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.

39. RESERVES (Continued)

(d) The statutory reserve amounting to HK$36,505,000 (2020: HK$35,015,000) 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 to presentation currency.

40. PROVISION FOR LIABILITY

On 18 February 2022, 本溪遼油新時代燃氣有限公司 (Benxi Liaoyou New Era Gas Co., Ltd) ("Benxi Liaoyou"), a 90% held subsidiary of the Company, received a statement of claim (the "Statement of Claim") from 淮安市中級人民法院 (The Intermediate People's Court of Huai'an City) (the "Court") regarding the claims by 中信金融租賃有限公司 (CITIC Financial Leasing Co., Ltd) (the "Claimant") against (1) Benxi Liaoyou, (2) 淮安中油隆億能源實業有限公司 (Huai'an Zhongyou Longyi Energy Industry Co., Ltd) ("Huai'an Zhongyou"), (3) 盤錦遼河油田隆億實業股份有限公司 (Panjin Liaohe Oilfield Longyi Industrial Co., Ltd) ("Panjin Liaohe"), (4) Mr. Zhao Dong ("Mr. Zhao"), and (5) Ms. Zheng Shufang ("Ms. Zheng") (the "Litigation").

As at the date of approval of these financial statements:

(i) The Company indirectly holds 90% of shares of Benxi Liaoyou which is a non-wholly owned subsidiary of the Company and its remaining shareholder is Panjin Liaohe. Benxi Liaoyou is primarily engaged in gas and oil related projects;

(ii) Mr. Zhao is a director of Benxi Liaoyou. He also holds equity interests (directly or indirectly) in Benxi Liaoyou, Panjin Liaohe and Huai'an Zhongyou.

(iii) Mr. Zhao holds approximately 63.2% equity interests in Panjin Liaohe, which in turn holds 67.9% shareholding interests in Huai'an Zhongyou. To the best of the Company's knowledge, information and belief having made all reasonable enquires and except as disclosed in these financial statements, the Group has no other relationship with Panjin Liaohe and Huai'an Zhongyou.

(iv) To the best of the Company's knowledge, information and belief, having made all reasonable enquires, Ms. Zheng is an independent third party of the Company.

Benxi Liaoyou, Mr. Zhao, Panjin Liaohe, Huai'an Zhongyou and Ms. Zheng are referred to as the "Defendants".

40. PROVISION FOR LIABILITY (Continued)

Background of the Litigation

The CM Finance Lease

According to the Statement of Claim, the Litigation is related to (among other things) a finance lease arrangement (the "CM Finance Lease") entered into between Benxi Liaoyou and Huai'an Zhongyou (together, the "Lessees") with the lessor, 中民國際融資租賃股份有限公司 (CM International Financial Leasing Corp., Ltd.) ("CMIFLCL") in December 2016. The Group suspects that Mr. Zhao had procured the entering into the CM Finance Lease by Benxi Liaoyuo without the approval of the board of directors of Benxi Liaoyou and the Company.

Based on the Statement of Claim and information currently available to the Company after its assessment, under the CM Finance Lease, CMIFLCL shall acquire certain liquefied natural gas equipment (the "Leased Assets") of approximately RMB161.0 million (equivalent to approximately HK$198.3 million) and then lease the same to the Lessees for a term of 72 months from 15 December 2017. The total amount of the lease payments under the CM Finance Lease is approximately RMB201.7 million (equivalent to approximately HK$248.4 million). The obligations under the CM Finance Lease are secured and guaranteed by (among others) the following securities (the "Securities").

1. A security deposit from the Lessees of RMB10.8 million (equivalent to approximately HK$13.3 million);

2. An assignment of accounts receivable from a public-private partnership project provided by Benxi Liaoyou in favour of CMIFLCL; and

3. Other defendants also provided guarantees and share pledges in favour of CMIFLCL.

The CITIC Finance Lease

In December 2017, CMIFLCL, as lessee, entered into a finance lease arrangement (the "CITIC Finance Lease") with the Claimant, as lessor. According to the Statement of Claim, CMIFLCL has failed to fulfil its payment obligations under the CITIC Finance Lease since December 2021. In January 2022, the Claimant thus commenced the Litigation via subrogation.

Claimant's claims

Set out below is a summary of the claims by the Claimant relating to Benxi Liaoyou and Huai'an Zhongyou:

(a) the Lessees should pay the Claimant RMB103 million (equivalent to approximately HK$127 million) being the overdue lease payment sum, and interest thereon calculated until 13 January 2022 of RMB1.6 million (equivalent to approximately HK$2 million);

(b) the Lessees should pay the Claimant RMB3 million (equivalent to approximately HK$3.7 million) being damages calculated at 3% of the outstanding principal; and

(c) the Lessees should pay the Claimant RMB1 being the purchase price of the Leased Assets.

40. PROVISION FOR LIABILITY (Continued)

Background of the Litigation (Continued)

Claimant's claims **(Continued)**

The Claimant also sought enforcement of the Securities. According to an order issued by the Court on 15 February 2022, the assets held by the Defendants (i.e. including Benxi Liaoyou) have been frozen by the Court. As at 31 December 2021, the carrying amount of assets held by Benxi Liaoyou amounted to RMB7 million, which included RMB1.3 million of cash at bank and RMB0.3 million of trade receivables.

Assessment of financial impact by the management

The Group has engaged PRC legal advisers to handle the Litigation and from the evidence provided by the Claimant to the Court and other information gathered by the Group, the board of directors suspects that Mr. Zhao had procured the entering into the CM Finance Lease by Benxi Liaoyuo without the approval of the then board of directors of Benxi Liaoyou or the Company. Also, despite that the CM Finance Lease was entered into by Benxi Liaoyou and Huai'an Zhongyou as the lessees under the CM Finance Lease, the leased assets appeared to be used by Huai'an Zhongyou and the amounts advanced by CM Finance Lease were directly paid to parties which are unrelated to Benxi Liaoyou and instead appeared to have a business relationship with Huai'an Zhongyou.

Since Benxi Liaoyou and Huai'an Zhongyou are not ultimately controlled by the same party, the PRC legal advisor is of the view that Huai'an Zhongyou may be deemed by the Court to be the actual lessee and Benxi Liaoyou may be deemed as the guarantor under the CM Finance Lease. However, the legality of the guarantee and the pledge of Securities provided by Benxi Liaoyou under the CM Finance Lease may still be subject to challenge by the Court as further evidence may be required to prove that the guarantee and pledge had been properly approved by the board of directors of Benxi Liaoyou as required by memorandum of articles of Benxi Liaoyou and that CMIFLCL had inspected that document before entering into the lease contract according to the PRC law.

In the view of the board of directors, the Group's liabilities in respect of the Claimant's claims and the CM Finance Lease depends on the outcome of the Litigation. In assessing the financial impact of the matter to the Group's consolidated financial statements for the year ended 31 December 2021, the Group engaged an external valuer to perform an estimation of the potential liability to be borne by the Group. When performing the valuation, the external valuer has taken into account certain factors, including: (i) the possible amount that could be recovered by CMIFLCL from Huai'an Zhongyou as the actual lessee under the CM Finance Lease; (ii) the possible outcome of the Court judgement; and (iii) the weighted average of the amount to be liable by the Group under each possible outcome of the Court judgement.

Based on the estimation, an expense of HK$79.7 million was recognised by the Group during the year with the same amount being included in the "Provision for liability" in the consolidated statement of financial position as at 31 December 2021.

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 years ended 31 December 2021 and 2020, and summarised financial information of which is set out below:

	2021	2020
	HK$'000	*HK$'000*
Consolidated loss for the year allocated to the non-controlling interests	**(8,189)**	(16,409)
Accumulated balances of the non-controlling interests at the reporting date	**47,353**	55,542

The following tables illustrate the summarised consolidated financial information of Shanxi Group which is before any inter-company eliminations:

	2021	2020
	HK$'000	*HK$'000*
Revenue	**435,955**	490,170
Total expenses	**(452,667)**	(522,504)
Loss for the year	**(16,712)**	(32,334)
Total comprehensive loss for the year	**(16,712)**	(32,334)
Current assets	**353,977**	417,704
Non-current assets	**308,069**	304,280
Current liabilities	**(471,405)**	(518,790)
Non-current liabilities	**(66,059)**	(71,238)
Net cash flows from/(used in):		
Operating activities	**(30,579)**	(53,392)
Investing activities	**5,352**	3,291
Financing activities	**–**	(13,449)
Net decrease in cash and cash equivalents	**(25,227)**	(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	**2021** ***HK$'000***	2020 *HK$'000*
Finance cost on lease liabilities with a joint venture		**–**	30
Purchase of goods	(i)	**2,925**	4,018
Purchase of LNG	(ii)	**73,010**	20,043
Gross sales of oil by-products	(iii)	**–**	88,381

Notes:

(i) The amount represents purchases of goods from a non-controlling equity holder of a subsidiary and the purchasing price was determined by reference to the then prevailing market price.

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

(iii) The amount represents sales of oil by-products to a subsidiary of the Company'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) and (iii) 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

	2021 ***HK$'000***	2020 *HK$'000*
Salaries, bonuses and other benefits	**7,375**	4,537
Contribution to defined contribution plans	**1,208**	566
	8,583	5,103

43. FINANCIAL INSTRUMENTS BY CATEGORY

Save as certain equity investments being designated as equity investments at fair value through other comprehensive income and 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 2021 and 2020 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 bank balances, restricted cash and pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accrued expenses, amounts due to associates and joint ventures 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:

	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
At 31 December 2021				
Financial assets at fair value through profit or loss	–	–	17,721	17,721
Equity investments at fair value through other comprehensive income	–	–	707	707
Total	–	–	18,428	18,428
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

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 (2020: 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, and they are closed to the carrying amounts of these items. 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 2021 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 associates, financial assets at FVTPL, financial assets at FVTOCI, amounts due from joint ventures, restricted cash and pledged deposits, cash and bank balances, trade and other payables, bank and other borrowings, amounts due to associates and joint ventures 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**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB	**17,828**	37,150	**79,673**	300,000
US$	**1,046**	–	**568,191**	330,078

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Sensitivity analysis

The Group is mainly exposed currency risk related to exchange rate of HK$ against RMB and US$. The sensitivity analysis includes only outstanding monetary items which are denominated in RMB and US$ and adjusts its translation at the end of the reporting date for a 5% and 5% change in RMB and US$ exchange rates, respectively. 5% (2020: 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 RMB and US$ and a negative number below indicates an increase in post-tax loss, respectively. For a 5% and 5% weakening of the functional currency of the relevant group entities against the RMB and US$, respectively, there would be an equal and opposite impact on the results.

	Decrease/(increase) in post-tax loss	
	2021	2020
	HK$'000	*HK$'000*
RMB	**(2,582)**	(10,974)
US$	**(23,678)**	(13,781)

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	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***%***	*%*
Floating rate:				
Cash and bank balances	**205,857**	408,403	**0.10-0.35**	0.10-0.35
Bank and other borrowings	**2,567,735**	2,454,669	**1.83-4.53**	1.84-4.54
Fixed rate:				
Restricted cash and pledged deposits	**519,108**	46,993	**0.30**	0.30
Cash and bank balances	**25,088**	297,005	**1.90**	3.14
Bank and other borrowings	**1,012,002**	1,063,780	**5.03**	5.16

At 31 December 2021, 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 decrease/increase the Group's loss before tax by approximately HK$23.6 million (2020: HK$25.4 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 2020.

Credit risk and impairment assessment

The Group is exposed to credit risk arising from its natural gas refueling station operation, trading and distribution of natural gas operation and, 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

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2021

	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*	–	–	–	382,264	382,264
Contract assets	–	–	–	25,965	25,965
Deposits for acquisition of subsidiaries					
– Normal**	–	359,454	–	–	359,454
– Doubtful**	–	–	841,782	–	841,782
Deposits for acquisition of property, plant and equipment					
– Normal**	–	25,633	–	–	25,633
– Doubtful**	–	–	49,598	–	49,598
Financial assets included in prepayments, deposits and other receivables					
– Normal**	40,805	350,263	–	–	391,068
– Doubtful**	–	–	607,796	–	607,796
Amount due from associates	32,794	–	–	–	32,794
Amount due from joint ventures	69,989	–	–	–	69,989
Restricted cash and pledged deposits					
– Not yet past due	519,108	–	–	–	519,108
Cash and bank balances					
– Not yet past due	230,945	–	–	–	230,945
	893,641	735,350	1,499,176	408,229	3,536,396

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Maximum exposure and year-end staging **(Continued)**

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Trade receivables*	–	–	–	440,427	440,427
Contract assets	–	–	–	52,557	52,557
Deposits 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
Amount due from associates	31,998	–	–	–	31,998
Amount due from joint ventures	41,750	–	–	–	41,750
Restricted cash and pledged deposits					
– Not yet past due	46,993	–	–	–	46,993
Cash and bank balances					
– Not yet past due	705,408	–	–	–	705,408
	971,279	658,613	1,322,844	492,984	3,445,720

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24(b) to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and deposits are considered as "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

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 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date which the Group can be required to pay. Bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choose to exercise their rights within one year after the reporting date.

The maturity analysis for the financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities. The amounts for variable interest rate instrument are subject to change if changes in variable interest rates different from those of estimates determined at the end of the reporting period.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 3 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2021						
Trade and bills payables	**294,374**	**–**	**–**	**–**	**294,374**	**294,374**
Other payables	**225,397**	**–**	**–**	**–**	**225,397**	**225,397**
Amounts due to associates	**1,481**	**–**	**–**	**–**	**1,481**	**1,481**
Amounts due to joint ventures	**70,152**	**–**	**–**	**–**	**70,152**	**70,152**
Lease liabilities	**10,295**	**5,851**	**3,475**	**2,959**	**22,580**	**20,248**
Bank and other borrowings	**3,541,537**	**99,828**	**–**	**–**	**3,641,365**	**3,579,737**
Provision for liability	**79,673**	**–**	**–**	**–**	**79,673**	**79,673**
	4,222,909	**105,679**	**3,475**	**2,959**	**4,335,022**	**4,271,062**

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 3 and 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 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	13,202	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	4,304,405	4,288,776

As disclosed in notes 2.2 and 32 to the financial statements, bank and other loans with aggregate carrying amount of HK$1,301 million as at 31 December 2021 (2020: HK$1,412 million) 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 2021.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

Depending on the market conditions and funding arrangements, if at any time, repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions, when appropriate.

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 include total bank and other borrowings. The leverage ratio as at the end of the reporting period is as follows:

	2021	2020
	HK$'000	*HK$'000*
Total borrowings	**3,579,737**	3,518,449
Total assets	**5,236,137**	5,473,291
Leverage ratio	**68.4%**	64.3%

46. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to confirm to the current year's presentation.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 *HK$'000*	2020 *HK$'000*
NON-CURRENT ASSETS		
Prepayments and other receivables	**726**	802
Investment in subsidiaries	**2,196,317**	1,907,006
Total non-current assets	**2,197,043**	1,907,808
CURRENT ASSETS		
Other receivables	**110,904**	175,024
Amounts due from subsidiaries	**44,076**	213,685
Amounts due from related companies	**353**	13,318
Financial assets at fair value through profit or loss	**340**	1,153
Restricted cash and pledged deposits	**31,800**	–
Cash and bank balances	**17,991**	63,835
Total current assets	**205,464**	467,015
CURRENT LIABILITIES		
Other payables	**70,347**	55,979
Amounts due to subsidiaries	**130,283**	199,664
Bank and other borrowings	**3,454,780**	3,311,701
Total current liabilities	**3,655,410**	3,567,344
NET CURRENT LIABILITIES	**(3,449,946)**	(3,100,329)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(1,252,903)**	(1,192,521)
NON-CURRENT LIABILITIES		
Bank and other borrowings	**–**	40,000
DEFICIENCY IN ASSETS	**(1,252,903)**	(1,232,521)
EQUITY		
Share capital	**714,236**	714,236
Reserves (note(a))	**(1,967,139)**	(1,946,757)
TOTAL EQUITY	**(1,252,903)**	(1,232,521)

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) 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 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 losses upon forfeiture of share options	–	(3,954)	–	–	–	3,954	–
	–	(3,954)	7,620	–	–	(13,257)	(9,591)
At 31 December 2020 and 1 January 2021	4,270,611	123	(3,220)	(43,048)	(59,390)	(6,111,833)	(1,946,757)
Loss for the year	–	–	–	–	–	(20,382)	(20,382)
Transfer to accumulated losses upon forfeiture of share options	–	(123)	–	–	–	123	–
	–	(123)	–	–	–	123	–
At 31 December 2021	4,270,611	–	(3,220)	(43,048)	(59,390)	(6,132,092)	(1,967,139)

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 19 April 2022.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2021

RESULTS

For the year ended 31 December

	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
Revenue	1,451,140	2,148,480	2,676,129	1,463,102	**1,728,019**
Profit/(loss) before taxation	9,606	259,188	97,038	(3,917,228)	**(270,058)**
Income tax (expense)/credit	(5,791)	2,328	(23,168)	110,826	**(8,499)**
Profit/(loss) for the year	3,815	261,516	73,870	(3,806,402)	**(278,557)**
Attributable to:					
Owners of the Company	(12,489)	260,657	(10,871)	(3,716,327)	**(275,400)**
Non-controlling interests	16,304	859	84,741	(90,075)	**(3,157)**
	3,815	261,516	73,870	(3,806,402)	**(278,557)**
(Loss)/earnings per share					
Basic (in HK cents)	(0.13)	2.27	(0.08)	(28.62)	**(2.12)**
Diluted (in HK cents)	(0.32)	2.09	(0.08)	(28.62)	**(2.12)**

ASSETS AND LIABILITIES

At 31 December

	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	2020 *HK$'000*	**2021** ***HK$'000***
Total assets	5,939,563	8,228,330	8,657,336	5,473,291	**5,236,137**
Total liabilities	(2,529,655)	(3,114,934)	(4,086,259)	(4,663,130)	**(4,535,154)**
	3,409,908	5,113,396	4,571,077	810,161	**700,983**
Equity attributable to owners of the Company	3,299,385	5,028,742	4,426,817	749,902	**604,844**
Non-controlling interests	110,523	84,654	144,260	60,259	**96,139**
	3,409,908	5,113,396	4,571,077	810,161	**700,983**