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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

Reference is made to the announcements of Beijing Gas Blue Sky Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 23 March 2021, 17 June 2021, 16 July 2021 and 27 August 2021 in relation to the delay in publication of 2020 Annual Results and despatch of 2020 Annual Report (the "**Announcements**"). Terms used herein shall have the same meanings as defined in the Announcements unless otherwise stated.

In January 2021, the Company identified a number of suspicious transactions and questionable assets of the Group (the "**Incident**"). The previous auditor has resigned with effect from 26 January 2021. In February 2021, the Special Committee was established to investigate the Incident. Ernst & Young, has been appointed as the Company's new auditor with effect from 26 February 2021.

Given that Ernst & Young was only appointed in late February 2021 and that the annual results of the Group for the financial year ended 31 December 2020 is subject to the results of the Investigation, the publication of the 2020 Annual Results was delayed. On 28 September 2021, the Forensic Accountant (as defined below) finalised and submitted the Forensic Investigation Report (as defined below) to the Special Committee. The Special Committee reviewed and submitted the Forensic Investigation Report, together with the report of the Special Committee to the Board for approval on 29 September 2021. For details of the Investigation, please refer to the announcement of the Company dated 29 September 2021.

In order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, the board (the "**Board**") of directors (the "**Directors**") decides to publish the annual results announcement of the Group for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019.

The Board hereby announces the consolidated annual results of the Group for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**1,463,102**	2,676,129
Cost of sales		**(1,307,855)**	(2,451,619)
Gross profit		**155,247**	224,510
Other income and gains, net	7	**34,840**	165,634
Administrative expenses		**(363,130)**	(339,250)
Other expenses, net		**(254,474)**	(22,730)
(Provision for)/reversal of impairment losses on financial assets, net	9	**(1,567,110)**	5,749
Impairment losses on other assets	9	**(2,035,804)**	–
Finance costs	8	**(195,462)**	(244,162)
Share of profit/(loss) of:			
Associates		**320,432**	305,712
Joint ventures		**(11,767)**	1,575
(LOSS)/PROFIT BEFORE TAX	9	**(3,917,228)**	97,038
Income tax credit/(expense)	10	**110,826**	(23,168)
(LOSS)/PROFIT FOR THE YEAR		**(3,806,402)**	73,870
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**130,636**	(370,700)
Share of other comprehensive income/(loss) of associates and joint ventures		**35,004**	(140,038)
		165,640	(510,738)
Items that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Change in fair value		**(7,620)**	(116,442)
Write-off of assets		**(111,375)**	–
		(118,995)	(116,442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**46,645**	(627,180)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,759,757)**	(553,310)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**515,877**	481,055
Investment properties		**36,635**	–
Right-of-use assets		**46,873**	222,832
Intangible assets		**422,744**	1,162,748
Goodwill		**257,447**	1,475,408
Investments in associates		**1,852,051**	1,771,318
Investments in joint ventures		**189,618**	360,346
Deposits for acquisition of subsidiaries		**435,272**	772,178
Deposits for acquisition of property, plant and equipment		**27,353**	77,151
Prepayments and other receivables		**802**	45,800
Equity investments at fair value through other comprehensive income		**696**	119,662
Other non-current assets		**300**	300
Total non-current assets		**3,785,668**	6,488,798
CURRENT ASSETS			
Inventories		**18,395**	54,356
Trade receivables	*13*	**249,347**	360,902
Contract assets		**52,557**	46,606
Prepayments, deposits and other receivables		**564,896**	874,776
Amounts due from associates		**1,189**	31,344
Amounts due from joint ventures		**41,750**	38,022
Financial assets at fair value through profit or loss		**7,088**	220,234
Pledged deposits		**46,993**	–
Cash and bank balances		**705,408**	542,298
Total current assets		**1,687,623**	2,168,538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*14*	**357,054**	354,788
Other payables and accruals		**496,991**	285,427
Bank and other borrowings		**3,364,798**	2,167,410
Amounts due to associates		**4,411**	–
Amounts due to joint ventures		**151,341**	–
Lease liabilities		**4,570**	35,587
Convertible bonds		**–**	373,412
Total current liabilities		**4,379,165**	3,216,624
NET CURRENT LIABILITIES		**(2,691,542)**	(1,048,086)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,094,126**	5,440,712
NON-CURRENT LIABILITIES			
Amounts due to joint ventures		**16,963**	135,148
Bank and other borrowings		**153,651**	318,511
Lease liabilities		**7,665**	126,164
Deferred tax liabilities		**105,686**	289,812
Total non-current liabilities		**283,965**	869,635
Net assets		**810,161**	4,571,077
EQUITY			
Equity attributable to owners of the company			
Share capital		**714,236**	714,236
Reserves		**35,666**	3,712,581
		749,902	4,426,817
Non-controlling interests		**60,259**	144,260
TOTAL EQUITY		**810,161**	4,571,077

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

2.1 The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Going concern basis

At 31 December 2020, the current liabilities of the Group exceeded its current assets by approximately HK$2,692 million. The Group's total bank and other borrowings as at 31 December 2020 amounted to HK$3,518 million, including HK$1,953 million due for repayment in 2021 according to the repayment schedule of the respective loan agreements. In addition, HK$1,412 million of bank and other loans due after 2021 were classified as current liabilities as at 31 December 2020 as certain debt covenants were not met based on the financial information of the Group for the year ended 31 December 2020.

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

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

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

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

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

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

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

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

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

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

The New Board is of the opinion that, taking into account the possible assistance from a major shareholder, debt restructuring arrangement, the resumption of trading of the Company's shares and the existing internal financial resources of the Group, the Group has sufficient working capital for its present requirements. Hence, the consolidated financial statements have been prepared on a going concern basis.

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

2.3 The Investigation

Background

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

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

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

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

Summary of key findings and conclusion

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

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

View of the Special Committee

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

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

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

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

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

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

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

2.3.1 Acquisition of subsidiaries

(a) Acquisition of the Zhejiang Bochen Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the latest negotiation, the Zhejiang Bochen Current Shareholder and the Zhejiang Bochen Original Shareholder agreed to transfer the 84% and 16% interests in Zhejiang Bochen to the Group at nil consideration. The transfer is not yet completed as at the date of approval of the financial statements. The New Board is also in negotiation with the Zhejiang Bochen Original Shareholder for the recovery of the RMB74.88 million in respect of the contingent consideration for which formal contract was entered into by the Group.

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

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

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

(b) Acquisition of Jilin Haoyuan

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

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

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

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

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

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

(c) Acquisition of Shanxi Minsheng and Yongji Minsheng

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

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

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

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

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

    The New Board recognised HK$65 million as other receivable as at 31 December 2020 and the same amount was offset against impairment losses on goodwill recognised by the Group during the year.

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

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

2.3.2 Deposits paid for acquisition of subsidiaries

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

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

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

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

2.3.3 Investments in associates

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

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

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

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

2.3.4 Other investments

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

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

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

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

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

2.3.5 Advances of loans and other receivables

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

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

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

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

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

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

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

2.4.2 Impairment of deposits paid for acquisition of subsidiaries

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

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

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

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

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

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

2.4.3 Impairment of investments in associates and joint ventures

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

2.4.4 Impairment of trade and other receivables

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

2.4.5 Provision for expected credit losses

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

2.4.6 Provision/write-off for inventories

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

2.4.7 Accounting treatment on sales and leaseback arrangements

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

The New Board reassessed the accounting treatment and is of the view that the Group is in fact having control over the gas pipelines as the Group has the option to acquire the assets at nominal consideration at the end of the lease period. Thus the transfer of the gas pipelines to the Lender does not satisfy the requirement of IFRS 16 to be accounted for as a sale of assets and the Group shall continue to recognise the transferred asset as property, plant and equipment and shall recognise transfer proceeds from the Lender as other loan. Accordingly, the Group revised the accounting treatment and classified the carrying amount of the gas pipelines of HK$159 million to property, plant and equipment and the amount due the Lender of HK$142 million to other loans during the year and no prior year adjustments were made.

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

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

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

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

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

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

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

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Conceptual Framework for Financial Reporting

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

Amendments to IFRS 3 *Definition of a Business*

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

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

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

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

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

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

[1] *Effective for annual periods beginning on or after 1 January 2021*

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

[3] *Effective for annual periods beginning on or after 1 January 2023*

[4] *No mandatory effective date yet determined but available for adoption*

[5] *As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

[6] *Effective for annual periods beginning on or after 1 April 2021*

[7] *Effective for annual periods beginning on or after 1 June 2020*

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2018–2020

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

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

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

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

4. SEASONALITY OF OPERATIONS

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

5. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**59,654**	153,871
Trading and distribution of natural gas	**402,311**	1,527,105
Direct supply to industrial users	**361,663**	430,137
City Gas, pipeline construction, value-added service and others	**639,474**	565,016
	1,463,102	2,676,129

6. 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 products as a wholesaler to industrial users

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

The Group has changed its structure of internal organisation during the year in a manner that causes the "Direct supply to industrial users" as a reportable segment because of its increased significance which was previously included in the "City gas, pipeline Construction, value-added services and others" segment in the prior year's financial statements. The corresponding information for the year ended 31 December 2019 in this note has been restated to conform with the current year's presentation and change in management structure.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss) for the year attributable to shareholders of the Company. The profit/(loss) for the year attributable to shareholders of the Company is measured consistently with the Group's profit/(loss) attributable to shareholders of the Company except that interest income on loans to joint ventures, interest income from joint venture partners, finance costs, share of profits of certain joint ventures and associates, as well as head office and corporate income and expenses are excluded from such measurement.

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

Segment revenue and results

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

Year ended 31 December 2020

	Natural gas refueling station *HK$'000*	**Trading and distribution of natural gas** *HK$'000*	**Direct supply to industrial users** *HK$'000*	**City gas, pipeline construction, value-added service and others** *HK$'000*	**Total** *HK$'000*
External segment revenue	**59,654**	**402,311**	**361,663**	**639,474**	**1,463,102**
Segment loss	**(475,621)**	**(282,613)**	**(196,503)**	**(1,941,787)**	**(2,896,524)**
Unallocated other income and other gains and losses					**34,840**
Unallocated central corporate expenses					**(221,189)**
Finance costs					**(195,462)**
Impairment and write-off of unallocated assets					**(638,893)**
Loss before tax					**(3,917,228)**

Year ended 31 December 2019

	Natural gas refueling station *HK$'000*	Trading and distribution of natural gas *HK$'000*	Direct supply to industrial users *HK$'000*	City gas, pipeline construction, value-added service and others *HK$'000*	Total *HK$'000*
External segment revenue	153,871	1,527,105	430,137	565,016	2,676,129
Segment profit	7,013	17,873	39,822	428,092	492,800
Unallocated other income and other gains and losses					65,407
Central corporate expenses					(217,007)
Finance costs					(244,162)
Profit before tax					97,038

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

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

Segment assets and liabilities

Segment assets

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**153,456**	905,339
Trading and distribution of natural gas	**266,098**	139,198
Direct supply to industrial users	**369,306**	2,399,691
City gas, pipeline construction, value-added service and others	**3,670,526**	3,892,766
Total segment assets	**4,459,386**	7,336,994
Property, plant and equipment for corporate use	**897**	4,572
Right-of-use assets for corporate use	**4,370**	11,436
Prepayments	**802**	6,722
Financial assets at fair value through other comprehensive income	**696**	119,662
Financial assets at fair value through profit or loss	**7,088**	220,234
Cash and bank balances (including pledged deposits)	**752,401**	542,298
Other unallocated assets	**247,651**	415,418
Consolidated assets	**5,473,291**	8,657,336

Segment liabilities

	2020	2019
	HK$'000	*HK$'000*
Natural gas refuelling station	**7,307**	50,688
Trading and distribution of natural gas	**244,929**	15,606
Direct supply to industrial users	**117,756**	484,155
City gas, pipeline construction, value-added service and others	**705,039**	651,741
Total segment liabilities	**1,075,031**	1,202,190
Bank and other borrowings	**3,518,449**	2,485,921
Unallocated lease liabilities	**4,638**	11,753
Convertible bonds	**–**	373,412
Other unallocated liabilities	**65,012**	12,983
Consolidated liabilities	**4,663,130**	4,086,259

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

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

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, unallocated lease liabilities, convertible bonds, and other unallocated liabilities not attributable to the segments).

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

Geographical information

The Group's operations are located in the PRC.

No geographical information is presented as more than 90% of the revenue during each of the years ended 31 December 2020 and 2019 were derived from the PRC.

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

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue during the years ended 31 December 2020 and 2019.

7. OTHER INCOME AND GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
Other income		
Interest income	**7,144**	33,226
Rental income	**437**	406
Gas appliances income	**2,342**	8,197
Government subsidies and grants	**3,749**	100,227
Sundry income	**20,043**	4,297
	33,715	146,353
Gains		
Changes in fair value of embedded derivatives at fair value through profit or loss	**–**	6,003
Changes in fair value of financial assets at fair value through profit or loss	**889**	1,869
Foreign exchange difference, net	**236**	11,409
	1,125	19,281
Other income and gains, net	**34,840**	165,634

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Finance charges on lease liabilities	**858**	13,454
Interest on bank borrowings	**86,195**	19,433
Interest on other borrowings	**74,739**	64,206
Interest on convertible bonds	**33,670**	147,069
	195,462	244,162

9. PROFIT/(LOSS) BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Cost of inventories sold	**1,147,854**	2,310,587
Depreciation of property, plant and equipment	**71,562**	48,360
Depreciation of right-of-use assets	**18,474**	19,059
Amortisation of intangible assets*	**72,070**	71,873
Lease payments not included in the measurement of lease liabilities	**1,645**	1,046
Employee benefit expenses (including directors' emoluments):		
Salaries, bonuses and other benefits	**104,652**	99,794
Contribution to defined contribution plans	**31,680**	17,278
Share-based payment (included in "Administrative expenses")	**–**	528
	136,332	117,600
Impairment of goodwill@	**869,627**	–
Impairment of property, plant and equipment@	**158,983**	–
Impairment of right-of-use assets@	**9,046**	–
Impairment of intangible assets@	**660,499**	–
Impairment of investments in associates@	**159,899**	–
Impairment of investments in joint ventures@	**177,750**	–
Impairment of deposits for acquisition of subsidiaries#	**772,033**	–
Impairment of deposits for acquisition of property, plant and equipment#	**49,598**	–
Write-off of financial assets at FVTPL&	**223,572**	–
Write-off of inventories&	**59,809**	–
Impairment of amounts due from associates#	**30,809**	–
Impairment/(reversal of impairment) of trade receivables#	**135,864**	(22,256)
Impairment of prepayments, deposit and other receivables#	**578,806**	16,507
Income from recovery of assets^&	**(65,000)**	–

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

Impairment of financial assets for the year is included in "(Provision for)/reversal of impairment losses on financial assets, net" on the face of the profit or loss.

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

& *These items are included in "Other expenses" on the face of the profit or loss.*

^ *Details of which please refer to note 2.3.1(c) of the results announcement.*

10. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made for the year ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

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

	2020	2019
	HK$'000	*HK$'000*
Current – Mainland China	**73,300**	41,137
Deferred	**(184,126)**	(17,969)
Total tax (credit)/expense for the year	**(110,826)**	23,168

11. DIVIDENDS

The board of directors of the Company did not recommend payment of dividend for the years ended 31 December 2020 and 2019.

12. LOSSES PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic losses per share amount is based on the loss for the year attributable to shareholders of the Company of HK$3,716,327,000 (2019: HK$10,871,000), and the weighted average number of ordinary shares of 12,986,114,715 (2019: 12,986,114,715) in issue during the year.

The computation of diluted losses per share does not assume the conversion of all outstanding convertible bonds issued by the Company and exercise of the Company's share options since their assumed exercise would result in decrease in losses per share for the years ended 31 December 2019 and 2020.

13. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**440,427**	408,592
Impairment	**(191,080)**	(47,690)
	249,347	360,902

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

	2020	2019
	HK$'000	*HK$'000*
Unbilled portion and billed within 3 months	**170,841**	333,868
Billed:		
4 to 6 months	**8,404**	6,958
7 to 12 months	**11,934**	20,076
Over 1 year	**58,168**	–
	249,347	360,902

14. TRADE AND BILLS PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Billed:		
Within 3 months	**222,888**	320,055
3 to 6 months	**51,421**	7,850
7 to 12 months	**13,287**	11,481
Over 12 months	**27,454**	15,402
	315,050	354,788
Unbilled	**42,004**	–
	357,054	354,788

15. COMPARATIVE AMOUNTS

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

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

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain of the Group's subsidiaries are engaged in the direct supply of natural gas to industrial end users. The board of directors noted that the scope of operations as stated in the operating licenses of the related subsidiaries does not include the processing and storage of natural gas.

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

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

3. Deposits paid for acquisition of subsidiaries

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

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

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

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

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

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

(b) As disclosed in note 2.4.2 to the financial statements in respect of the acquisition of 51% of the equity interest of 唐山華普燃氣有限公司 (Tangshan Huapu Gas Co., Ltd., "Tangshan Huapu") the board of directors is currently in negotiation with the then sole shareholder (the "Tangshan Huapu Original Shareholder") on the final consideration to be payable by the Group. The carrying amount of deposits paid for the acquisition of the 51% of equity interest of Tangshan Huapu included in the "Deposit paid 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 depends on the outcome of certain events, including but not limited to (i) the successful negotiation between the Group and the Tangshan Huapu Original Shareholder; and (ii) the compliance with the Hong Kong Listing Rules in respect of the acquisition.

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

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

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

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

4. Unsubstantiated cash payments and receipts

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

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

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

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

5. Consolidation

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

We were unable to obtain sufficient relevant evidence to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group and whether the Unacquired Relevant Companies should have been consolidated by the Group according to International Financial Reporting Standard 10 *Consolidated Financial Statements* or accounted for under the equity method of accounting according to International Accounting Standard 28 (2011), *Investments in Associates and Joint Ventures*.

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

(b) The Group holds a 65% equity interest in Qian Tang Finance Lease Co., Ltd.（錢唐融資租賃股份有限公司）("Qian Tang"). In the opinion of the board of directors, due to a dispute with the new holder of the 35% equity interest of Qian Tang (the "New JV Partner"), the Group is unable to control the Relevant Activities of Qian Tang, despite that the Group is able to control the composition of the board of directors of Qian Tang according to the current articles of association. Consequently, Qian Tang was accounted for as a joint venture by the Group as at 31 December 2020 and 2019 and during the year. At 31 December 2020 and 2019, the Group's share of net assets of Qian Tang amounted to HK$175 million and HK$159 million, respectively, and the Group's share of losses of Qian Tang during the year ended 31 December 2020 and 2019 amounted to HK$537,000 and HK$6 million, respectively.

We were unable to obtain sufficient relevant evidence supporting the appropriateness of the accounting treatment adopted by the Group to account for its investment in Qian Tang and 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 year ended 31 December 2020 and 2019.

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

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

6. Related party transactions

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

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

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

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

7. Investments in associates and joint ventures

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

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

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

8. Unreturned loan confirmations and bank confirmations

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

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

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

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

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

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

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

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

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

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

10. Revenue from the trading of goods

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

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

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

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

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

11. Disagreement on accounting treatment affecting opening balances

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

12. Material uncertainties relating to going concern

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

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

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

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

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

The independent auditor's report will be included in the 2020 annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

BUSINESS REVIEW

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

As at 31 December 2020, the Group's natural gas projects covered 17 provinces, cities and autonomous regions in the PRC, including Liaoning Province, Jilin Province, Hebei Province, Beijing City, Shandong Province, Shanxi Province, Shaanxi Province, Ningxia Autonomous Region, Shanghai City, Jiangsu Province, Anhui Province, Zhejiang Province, Guizhou Province, Hubei Province, Guangdong Province, Guangxi Autonomous Region and Hainan Province.

The Group's major natural gas projects:

	Project Location	LNG/CNG refueling station			City gas		Direct supply to industrial users		Trading and distribution		Subtotal		LNG throughout				Subtotal		Total	
		As of December			As of December		As of December		As of December		As of December		As of December		As of December		As of December		As of December	
		No. of station	Sales volume *(m³)*	Sales volume *(%)*	Sales volume *(m³)*	Sales volume *(%)*	Sales volume *(m³)*	Sales volume *(%)*	Sales volume *(m³)*	Sales volume *(%)*	Subtotaled sales volume *(m³)*	Subtotaled sales volume *(%)*	Gasification volume *(m³)*	Gasification volume *(%)*	Unloading volume *(m³)*	Unloading volume *(%)*	Subtotaled throughout *(m³)*	Subtotaled throughout *(%)*	Total volume *(m³)*	Total volume *(%)*
Subsidiaries	Liaoning Province	1	480,000	2.7%	3,980,000	2.8%	–	0.0%	–	0.0%	4,460,000	1.1%	–	0.0%	–	0.0%	–	0.0%	4,460,000	0.1%
	Shandong Province	1	1,190,000	6.7%	–	0.0%	–	0.0%	3,170,000	2.3%	4,360,000	1.0%	–	0.0%	–	0.0%	–	0.0%	4,360,000	0.1%
	Guizhou Province	1	2,790,000	15.6%	1,460,000	1.0%	–	0.0%	–	0.0%	4,250,000	1.0%	–	0.0%	–	0.0%	–	0.0%	4,250,000	0.1%
	Guangdong Province	–	–	0.0%	–	0.0%	24,130,000	18.4%	–	0.0%	24,130,000	5.7%	–	0.0%	–	0.0%	–	0.0%	24,130,000	0.4%
	Anhui Province	–	–	0.0%	–	0.0%	3,700,000	2.8%	32,830,000	24.7%	36,530,000	8.6%	–	0.0%	–	0.0%	–	0.0%	36,530,000	0.5%
	Hainan Province	4	–	0.0%	–	0.0%	14,760,000	11.3%	80,000	0.1%	14,840,000	3.5%	–	0.0%	–	0.0%	–	0.0%	14,840,000	0.2%
	Beijing city	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Zhejiang Province	–	–	0.0%	–	0.0%	88,280,000	67.5%	75,610,000	56.8%	163,890,000	38.7%	–	0.0%	–	0.0%	–	0.0%	163,890,000	2.5%
	Shannxi Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	30,000	0.0%	30,000	0.0%	–	0.0%	–	0.0%	–	0.0%	30,000	0.0%
	Jilin Province	1	2,400,000	13.4%	34,590,000	24.5%	–	0.0%	–	0.0%	36,990,000	8.7%	–	0.0%	–	0.0%	–	0.0%	36,990,000	0.6%
	Shanxi Province	7	5,450,000	30.5%	92,360,000	65.4%	–	0.0%	–	0.0%	97,810,000	23.1%	–	0.0%	–	0.0%	–	0.0%	97,810,000	1.5%
	Guangxi Province	–	–	0.0%	–	0.0%	40,000	0.0%	9,280,000	7.0%	9,320,000	2.2%	–	0.0%	–	0.0%	–	0.0%	9,320,000	0.1%
	Ningxia Hui Autonomous Region	–	–	0.0%	–	0.0%	–	0.0%	1,040,000	0.8%	1,040,000	0.2%	–	0.0%	–	0.0%	–	0.0%	1,040,000	0.0%
	Shanghai city	–	–	0.0%	–	0.0%	–	0.0%	11,050,000	8.3%	11,050,000	2.6%	–	0.0%	–	0.0%	–	0.0%	11,050,000	0.2%
		15	12,310,000	68.9%	132,390,000	93.7%	130,910,000	100%	133,090,000	100.0%	408,700,000	96.6%	–	0.0%	–	0.0%	–	0.0%	408,700,000	6.3%
Associates	Hainan Province	8	2,561,797	14.3%	–	0.0%	–	0.0%	–	0.0%	2,561,797	0.6%	–	0.0%	–	0.0%	–	0.0%	2,561,797	0.0%
	Anhui Province	3	2,997,790	16.8%	–	0.0%	–	0.0%	–	0.0%	2,997,790	0.7%	–	0.0%	–	0.0%	–	0.0%	2,997,790	0.0%
	Hebei Province	–	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%	4,679,786,905	100.0%	1,556,290,746	100.0%	6,236,077,651	100.0%	6,236,077,651	93.6%
		11	5,559,587	31.1%	–	0.0%	–	0.0%	–	0.0%	5,559,587	1.3%	4,679,786,905	100.0%	1,556,290,746	100.0%	6,236,077,651	100.0%	6,241,637,238	93.6%
Joint Venture	Hubei Province	–	–	0.0%	8,826,302	6.3%	–	0.0%	–	0.0%	8,826,302	2.1%	–	0.0%	–	0.0%	–	0.0%	8,826,302	0.1%
		–	–	0.0%	8,826,302	6.3%	–	0.0%	–	0.0%	8,826,302	2.1%	–	0.0%	–	0.0%	–	0.0%	8,826,302	0.1%
		26	17,869,587	100%	141,216,302	100%	130,910,000	100%	133,090,000	100%	423,085,889	100%	4,679,786,905	100%	1,556,290,746	100%	6,236,077,651	100%	6,659,163,540	100%

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

Development and Operation of City Gas Business

During FY2020, the Group had 8 city gas projects located in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group connected gas pipelines for 31,623 new users and the accumulated number of users reached 509,066, of which 31,428 were new residential users and the accumulated number of residential users reached 506,377. The volume of natural gas sold by the Group to residential users amounted to 64.0 million cubic meters (FY2019: 72.6 million cubic meters). The Group secured 195 new industrial and commercial users and the accumulated industrial and commercial users reached 2,689, and the natural gas sold to industrial and commercial users reached 68.4 million cubic meters (FY2019: 94.1 million cubic meters), which was mainly due to the impact of the pandemic, a large number of enterprises have suspended production, resulting in a significant decrease in demand from industrial and commercial users. City gas business recorded an income of HK$639.5 million (FY2019: HK$565.0 million), which included a connection fee income of HK$169.9 million (FY2019: HK$68.3 million), representing an increase of 148.8% 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$361.7 million, representing a decrease of 15.9% as compared to the corresponding period (FY2019: HK$430.1 million), and sold 130.9 million cubic meters (FY2019: 135.0 million cubic meters) of natural gas to industrial users through the provision of the gas supply service, covering such provinces as Anhui Province, Hainan Province, Zhejiang Province, Guangdong Province and Guangxi Autonomous Region.

Trading and Distribution of LNG and CNG Business

As at 31 December 2020, the Group owned 29% equity interests in PetroChina Jingtang LNG Co., Ltd., and distributed LNG with gas sources from Sinopec's Dongjiakou receiving terminal in Bohai Rim, and distributed LNG with gas sources from CNOOC's Ningbo receiving terminal in the Eastern China. The Group recorded a total trading volume of 133.1 million cubic meters (FY2019: 675.9 million cubic meters) and segment sales amount in trading and distribution business of HK$402.3 million (FY2019: HK$1,527.1 million). In addition, the Group cooperated with Beijing Gas Singapore, a subsidiary of Beijing Gas, and sold 26,000 tonnes of Ethylene Glycol in 2020.

LNG and CNG Refuelling Station Business

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

LNG Receiving Terminal Project

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

Expansion Initiatives

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

FUTURE PROSPECTS

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

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

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

In the future, Beijing Gas Group Co., Ltd ("**Beijing Gas**"), a substantial shareholder of the Company, is constructing a LNG receiving terminal at Nangang Industrial Zone in Tianjin, including wharf, berth, and 10 LNG storage tanks with the tank capacity of 200 thousand cubic meters each, and building the supporting facility – pipelines transmitting natural gas from the receiving terminal to Beijing City. LNG receiving terminal at Nangang Industrial Zone in Tianjin is crucial to our layout of the Group's natural gas business development. The Group will have more cooperation opportunities with the substantial shareholder, Beijing Gas, in constructing LNG wharf and trading of LNG. This will benefit the Group's layout in the Beijing-Tianjin-Hebei region, further leverage regional synergies on the basis of the Group's existing business, increase it's market share and influence, and enhance it's overall LNG delivery and distribution capabilities.

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

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

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

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

In terms of business, with the establishment of PipeChina, pipeline and network becomes independent which would gradually open to third parties, so as to improve the fair competitive capability of other market players. The Group will maximize the advantages of LNG layout in the upstream sector and stable industrial and commercial customer network in the downstream sector to gradually improve its comprehensive services, and increase the proportion in the profit of trade. As for city gas business, the Group will keep exploring opportunities of the substantial shareholder's project in Beijing-Tianjin-Hebei region and Northeast Region along China-Russia east-route natural gas pipeline, and lay out key new project markets. For the existing city gas projects, the Group will adhere to refined management to improve the profitability of existing projects and achieve steady growth in the income of existing city gas assets, and also leverage the existing projects' "point-to-area"(以點帶面)capability to focus on tapping the market potential of Shanxi and Jilin. The Group expects to strengthen interaction with the substantial shareholder when carrying on the city gas and LNG business to enhance its business synergies. Meanwhile, the Group will stick to the principle of cost-saving and efficiency-increasing. It will strictly control expenses and improve efficiency in executing projects to enhance the Group's overall profitability.

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

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

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Segment Profit

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

Earnings/losses before Interests, Tax, Depreciation and Amortisation

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

Other Income and Gains, Net

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

Operating expenses

(a) Administrative expenses

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

(b) *Other expenses, net*

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

(c) *Finance costs*

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

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

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

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

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

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

Total impairment and write-off of assets and financial assets of HK$3.82 billion for the year ended 31 December 2020 were included in the loss for the year, which mainly involved impairment of goodwill of HK$869.6 million, impairment of trade receivables of HK$135.9 million, impairment of intangible assets of HK$660.5 million, impairment of deposit of acquisition of subsidiaries of HK$772.0 million, impairment of investments in associate of HK$159.9 million, impairment of investments in joint venture of HK$177.8 million, write-off of financial assets at FVTPL 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 included in other comprehensive income of HK$111.4 million.

DISPOSAL OF EQUITY INTEREST

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

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

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2020, there were 1,052 (31 December 2019: 1,008) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGES RATES

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

CONTINGENT LIABILITIES

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

FINAL DIVIDEND

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions set out in the CG Code throughout FY2020 except for the following deviations:

Code provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should not be performed by the same individual. Mr. Cheng Ming Kit, a former co-chairman of the Board, was appointed as chief executive officer on 19 January 2018 and performed both the roles of chairman and chief executive officer of the Company which is deviated from code provision A.2.1 of the CG Code. The Board believed that Mr. Cheng Ming Kit served as both the co-chairman and the chief executive officer of the Company at that time enabled the Company implement its business plans in an effective manner.

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

Code provision E.1.2

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. The then co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 23 June 2020 due to COVID-19.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the Model Code throughout FY2020.

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

During FY2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2020.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgbluesky.com).

A notice convening the annual general meeting of the Company will be despatched to the shareholders of the Company together with the 2020 Annual Report on or before 31 October 2021 and available on the aforesaid websites in due course.

CONTINUED SUSPENSION OF TRADING OF SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 18 January 2021 and will remain suspended until the Company fulfills the resumption guidance provided by the Stock Exchange on 24 February 2021 and 22 April 2021.

Further announcement(s) will be made by the Company to inform the shareholders of the Company potential investors of the Company any material development as and when appropriate.

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

Hong Kong, 30 September 2021

As at the date of this announcement, the executive Directors are Mr. Li Weiqi, Mr. Jin Qiang, Ms. Yang Fuyan and Mr. Ye Hongjun; the non-executive Directors are Mr. Zhi Xiaoye and Mr. Cheng Ming Kit (duties suspended); and the independent non-executive Directors are Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing, Mr. Cui Yulei and Ms. Hsu Wai Man Helen.