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 2021 AND PROPOSED AMENDMENTS TO BYE-LAWS

ANNUAL RESULTS

Reference is made to the announcement of Beijing Gas Blue Sky Holdings Limited (the "Company", together with its subsidiaries, the "Group") dated 20 March 2022 in relation to the delay in publication of 2021 Annual Results (the "Announcement"). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Board hereby announces the consolidated annual results of the Group for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	4	**1,728,019**	1,463,102
Cost of sales		**(1,608,675)**	(1,307,855)
Gross profit		**119,344**	155,247
Other income and gains, net	6	**34,326**	34,840
Administrative expenses		**(243,986)**	(363,130)
Other expenses		**(124,869)**	(254,474)
Provision for impairment losses on financial assets	8	**(251,118)**	(1,567,110)
Impairment losses on other assets, net	8	**(45,746)**	(2,035,804)
Finance costs	7	**(132,298)**	(195,462)
Share of profits and losses of:			
Associates		**374,289**	320,432
Joint ventures		**–**	(11,767)
LOSS BEFORE TAX	8	**(270,058)**	(3,917,228)
Income tax credit/(expense)	9	**(8,499)**	110,826
LOSS FOR THE YEAR		**(278,557)**	(3,806,402)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**5,761**	130,636
Share of other comprehensive income of associates and joint ventures		**63,067**	35,004
		68,828	165,640
Items that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income			
Change in fair value		**–**	(7,620)
Write-off of assets		**–**	(111,375)
		–	(118,995)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**68,828**	46,645
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(209,729)**	(3,759,757)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2021

	Note	**2021** **HK$'000**	2020 *HK$'000*
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(275,400)**	(3,716,327)
Non-controlling interests		**(3,157)**	(90,075)
		(278,557)	(3,806,402)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(208,725)**	(3,675,341)
Non-controlling interests		**(1,004)**	(84,416)
		(209,729)	(3,759,757)
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted *(HK cents)*	*11*	**(2.12)**	(28.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**506,779**	515,877
Investment properties		**44,757**	36,635
Right-of-use assets		**52,934**	46,873
Intangible assets		**70,705**	422,744
Goodwill		**597,983**	257,447
Investments in associates		**2,080,006**	1,852,051
Investments in joint ventures		**19,522**	189,618
Deposits for acquisition of subsidiaries		**283,464**	435,272
Deposits for acquisition of property, plant and equipment		**25,633**	27,353
Prepayments, deposits and other receivables		**5,114**	802
Equity investments at fair value through other comprehensive income		**707**	696
Other non-current assets		**614**	300
Total non-current assets		**3,688,218**	3,785,668
CURRENT ASSETS			
Inventories		**15,263**	18,395
Trade receivables	*12*	**160,722**	249,347
Contract assets		**25,965**	52,557
Prepayments, deposits and other receivables		**506,221**	564,896
Amounts due from associates		**1,985**	1,189
Amounts due from joint ventures		**69,989**	41,750
Financial assets at fair value through profit or loss		**17,721**	7,088
Restricted cash and pledged deposits		**519,108**	46,993
Cash and bank balances		**230,945**	705,408
Total current assets		**1,547,919**	1,687,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	13	**294,374**	357,054
Other payables and accruals		**471,987**	496,991
Bank and other borrowings		**3,486,413**	3,364,798
Amounts due to associates		**1,481**	4,411
Amounts due to joint ventures		**70,152**	151,341
Lease liabilities		**9,324**	4,570
Provision for liability		**79,673**	–
Total current labilities		**4,413,404**	4,379,165
NET CURRENT LIABILITIES		**(2,865,485)**	(2,691,542)
TOTAL ASSETS LESS CURRENT LIABILITIES		**822,733**	1,094,126
NON-CURRENT LIABILITIES			
Amounts due to joint ventures		**–**	16,963
Bank and other borrowings		**93,324**	153,651
Lease liabilities		**10,924**	7,665
Deferred tax liabilities		**17,502**	105,686
Total non-current labilities		**121,750**	283,965
NET ASSETS		**700,983**	810,161
EQUITY			
Equity attributable to owners of the company			
Share capital		**714,236**	714,236
Reserves		**(109,392)**	35,666
		604,844	749,902
Non-controlling interests		**96,139**	60,259
TOTAL EQUITY		**700,983**	810,161

NOTES

31 December 2021

1. CORPORATE AND GROUP INFORMATION

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

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

- development and operation of city gas projects, including sales of natural gas to residential, industrial and commercial users through pipelines, provision of value-added services, such as repair and maintenance services and pipeline construction services;

- direct liquefied natural gas ("LNG") supply to industrial end users;

- trading and distribution of compressed natural gas ("CNG") and LNG, including distribution and trading of CNG, LNG, fuel oil and other related oil by-products as a wholesaler to industrial and commercial users; and

- operation of CNG and LNG refueling stations for vehicles.

2. BASIS OF PRESENTATION AND 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 includes all IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. 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 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Going concern basis

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

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

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

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

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

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

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

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

2.3 The Extended Investigations

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

4. REVENUE

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

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

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

1. City gas, pipeline construction, value-added service and others – sale of natural gas to residential, industrial and commercial users through pipelines, other income from value-added service such as repair and maintenance service, pipeline construction services and others, such as transportation income. Share of result of an associate, which is engaged in provision of port facilities for vessels and re-gasification of LNG was also included in this segment

2. Direct supply to industrial users – direct LNG supply to industrial users through direct supply facilities

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

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

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

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

Segment revenue and results

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

Year ended 31 December 2021

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

Year ended 31 December 2020

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

Geographical information

The Group's operations are located in Mainland China.

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

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

Information about major customers

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

6. OTHER INCOME AND GAINS, NET

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

7. FINANCE COSTS

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

8. LOSS BEFORE TAX

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

	2021	2020
	HK$'000	*HK$'000*
Cost of inventories sold	**1,524,674**	1,125,576
Cost of services provided	**20,173**	22,278
Depreciation of property, plant and equipment	**58,188**	71,562
Depreciation of right-of-use assets	**14,795**	18,474
Amortisation of intangible assets*	**5,239**	72,070
Lease payments not included in the measurement of lease liabilities	**1,750**	1,645
Impairment of goodwill[@]	**27,805**	869,627
Impairment of property, plant and equipment[@]	**11,313**	158,983
Impairment of right-of-use assets[@]	**–**	9,046
Impairment of intangible assets[@]	**6,894**	660,499
Impairment of investments in associates[@]	**(266)**	159,899
Impairment of investments in joint ventures[@]	**–**	177,750
Impairment of deposits for acquisition of subsidiaries[#]	**145,739**	772,033
Impairment of deposits for acquisition of property, plant and equipment[#]	**–**	49,598
Write-off of financial assets at fair value through profit or loss[&]	**–**	223,572
Write-off of inventories[&]	**–**	59,809
Impairment of amounts due from associates[#]	**–**	30,809
Impairment of trade receivables, net[#]	**26,009**	135,864
Impairment of loan and bond receivables and other receivables, net[#]	**79,370**	578,806
Income from recovery of assets[&]	**–**	(65,000)
Provision for liability[&]	**79,673**	–

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

[#] *Impairment of financial assets for the year is included in "Provision for impairment losses on financial assets" in profit or loss.*

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

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

9. INCOME TAX (CREDIT)/EXPENSE

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

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

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

10. DIVIDENDS

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

11. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

12. TRADE RECEIVABLES

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

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

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

13. TRADE AND BILLS PAYABLES

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

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

14. 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 2021

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

1. Equity interests held by third parties

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

Our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 was modified in respect of the aforesaid matter as we were unable to obtain sufficient relevant evidence to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group and whether the Unacquired Relevant Companies should have been consolidated by the Group according to International Financial Reporting Standard 10 *Consolidated Financial Statements* ("IFRS 10") or accounted for under the equity method of accounting according to International Accounting Standard 28, *Investments in Associates and Joint Ventures* ("IAS 28").

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

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

We were unable to obtain sufficient relevant evidence to ascertain whether the Unacquired Relevant Companies were subsidiaries, associates or joint ventures of the Group and whether the Unacquired Relevant Companies should have been consolidated by the Group according to IFRS 10 or accounted for under the equity method of accounting according to IAS 28 as at 1 January 2021 and 31 December 2021.

Consequently, we were unable to determine whether adjustments are required to be made to the Group's consolidated statement of financial position as at 1 January 2021 and 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2021 and 2020 in respect of the Unacquired Relevant Companies.

2. Related party transactions

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, we have previously modified our opinion due to a limitation on the scope of the audit in respect of the Group's related party transactions as (i) the Group did not have a clear internal control mechanism in respect of related party transactions; and (ii) we were unable to ascertain whether the Unacquired Relevant Companies were related parties of the Group and whether the transactions with the Unacquired Relevant Companies should be disclosed as related party transactions in the consolidated financial statements pursuant to International Accounting Standard 24 *Related Party Disclosures* ("IAS 24").

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

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

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

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

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

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

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

Our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020 was modified in respect of the aforesaid matter as we were unable to obtain sufficient relevant evidence to ascertain the outcome of the events, including but not limited to the aforesaid events affecting the acquisition of the 51% equity interest of Tangshan Huapu by the Group. We were also unable to obtain sufficient relevant evidence to ascertain the recoverable amount of the 51% equity interests of Tangshan Huapu to be transferred to the Group. Consequently we were unable to satisfy ourselves as to whether the provision for impairment was properly determined. Any adjustments in respect of the Group's impairment assessment of the deposit would have a consequential impact on the Group's net assets as at 31 December 2020 and 2019 and its financial performance for the years ended 31 December 2020 and 2019.

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

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

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

(b) Provision for potential liability

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

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

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

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

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

(c) Investment in Qian Tang

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, the Group holds a 65% equity interest in 錢唐融資租賃股份有限公司 (Qian Tang Finance Lease Co., Ltd.) ("Qian Tang"). In the opinion of the board of directors, due to a dispute with the new beneficial owner of the 35% equity interest of Qian Tang (the "New JV Partner"), the Group was unable to control the business, financial and operational matters of Qian Tang (the "Relevant Activities"), despite that the Group is able to control the composition of the board of directors of Qian Tang according to the current articles of association. Consequently, Qian Tang was accounted for as a joint venture by the Group as at 31 December 2020 and 2019 and during the prior years. As at 31 December 2020 and 2019, the Group's carrying amount of the investment in Qian Tang amounted to HK$175 million and HK$166 million, respectively, and the Group's share of losses of Qian Tang during the years ended 31 December 2020 and 2019 amounted to HK$537,000 and HK$4 million, respectively.

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

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

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

Despite the above, we were unable to obtain sufficient relevant evidence supporting the appropriateness of the accounting treatment adopted by the Group as at 31 December 2020. Consequently, we were unable to determine whether adjustments are required to be made to the Group's consolidated statement of financial position as at 31 December 2020.

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

As set out in our auditor's report dated 30 September 2021 on the Group's consolidated financial statements for the year ended 31 December 2020, in prior years, the Group had acquired a number of subsidiaries, and intangible assets were recognised as a result of the purchase price allocation ("PPA") for certain of the acquisitions. The intangible assets initially recognised represented the fair value of the operating concessions of the acquired subsidiaries and the amounts were determined according to the valuations performed by independent professional valuers based on the income approach. The income approach was applied based on the cash flow forecasts of the subsidiaries acquired prepared by the then management.

We had obtained the valuation reports issued by the independent professional valuers in respect of the intangible assets recognised during the PPAs. However, we were unable to obtain proper documentation prepared by the then management as to the basis of the assumptions adopted in the cash flow forecasts and consequently we were unable to assess the reasonableness of the basis and assumptions adopted. For one of the acquisitions in which HK$350 million of intangible assets was initially recognised as a result of the PPA, we noted that the fair value of intangible assets as stated in the valuation report was HK$716 million, which was HK$366 million higher than the amount recognised by the then management in the Group's consolidated financial statements and we were unable to verify the difference. Accordingly, we were unable to determine whether the Group's intangible assets were properly recognised as a result of the PPAs and consequently whether the Group's goodwill and intangible assets were properly stated as at 31 December 2020 and 2019. We were also unable to determine the classification of the impairment losses recognised on goodwill and intangible assets during the year ended 31 December 2020.

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

This is not in accordance with International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8"), which requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred, and International Accounting Standard 1 *Presentation of Financial Statements* ("IAS 1"), which requires an entity to present a third statement of financial position as at the beginning of the preceding period if a retrospective application of an accounting policy, retrospective restatement or reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

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

As addressed in 5.(a) below, our auditor's opinion for the year ended 31 December 2020 was modified as we were unable to determine whether it would be necessary to make adjustments to the impairment losses/write-off of assets recognised by the Group in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020; and the carrying amount of these assets in the Group's consolidated statement of financial position as at 31 December 2019. Accordingly, we have been unable to determine whether it would be necessary to make further adjustments to the adjustment amounts as at 1 January 2020 and the consolidated profit or loss for the year ended 31 December 2020 as disclosed in note 2.3 to financial statements.

5. Corresponding figures

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

During the year ended 31 December 2020, impairment losses/write-off of assets of HK$3,886 million and write-off of financial assets of HK$119 million had been recognised by the Group in profit or loss and other comprehensive income, respectively. However, we noted that the impairment assessments performed by the board of directors were not extended to the related assets as at 31 December 2019. Accordingly, we were unable to obtain sufficient and appropriate audit evidence to assess the appropriateness of the carrying amount of these assets of the Group as at 31 December 2019, nor have we been able to ascertain whether any of the impairment losses of HK$3,769 million and HK$119 million recognised by the board of directors in profit or loss and other comprehensive income for the year ended 31 December 2020, respectively, should have been recorded in profit or loss and other comprehensive income for the year ended 31 December 2019 and prior years. Therefore, we were unable to determine whether it would be necessary to make adjustments to the aforesaid impairment losses/write-off recognised by the Group in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020; and the carrying amount of these assets in the Group's consolidated statement of financial position as at 31 December 2019. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 was modified accordingly.

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

During the year ended 31 December 2020, the Group was engaged in the trading of liquefied natural gas ("LNG") in Mainland China and the international trading of LNG and other industrial products. The board of directors was unable to provide satisfactory explanation about the business rationale and commercial substance of certain of the Group's trading transactions carried out during the year ended 31 December 2020, including sales and purchases of LNG and other industrial products with the Unacquired Relevant Companies and the trading activities which involved multiple parties within the same transactions. We were also unable to obtain sufficient appropriate audit evidence we considered necessary evidencing the delivery or receipt of goods for certain of the Group's trading transactions carried out during the year ended 31 December 2020. The gross amount of sales and cost of sales of these transactions carried out during the year ended 31 December 2020 amounted to HK$874 million and HK$868 million, respectively, and the Group accounted for these transactions on a net basis and net income of HK$6 million had been recognised in the Group's revenue for the year ended 31 December 2020.

There were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance of these trading activities and the appropriateness of the accounting treatment applied. Therefore we were unable to determine whether any adjustments were necessary in respect of the trading transactions undertaken during the year ended 31 December 2020 as set out in the preceding paragraph. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's financial performance for the year ended 31 December 2020 and the related balances making up the consolidated statement of financial position as at 31 December 2020. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 was modified accordingly.

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

6. Material uncertainties relating to going concern

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

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

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.2 to the financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including, inter alia; (i) successfully obtaining agreement with the creditors for a refinancing arrangement; (ii) completion of the asset injections and successfully obtaining a loan from the major shareholder; and (iii) resumption of trading of the Company's shares.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

BUSINESS REVIEW

For the year ended 31 December 2021 ("FY2021"), as the world economy began to rebound, the global market demand for natural gas increased. In China, domestic demand for natural gas also grew rapidly in the context of "carbon neutrality" and "coal-to-gas" goals. During the Group's FY2021, revenue was HK$1,728.0 million (FY2020: HK$1,463.1 million), representing an increase of 18.1% as compared to last year, which was primarily due to (i) increase in the trading and distribution of natural gas by HK$181.1 million; (ii) the global economy and commodity market recovered from the historic collapse in demand caused by COVID-19; and (iii) increase of realised price and business volume. The Group's gross profit decreased from HK$155.2 million for FY2020 to HK$119.3 million for FY2021. The Group's gross profit margin was 6.9% for FY2021 (FY2020: 10.6%), also representing a decrease as compared to last year, primarily due to (i) lower gross profit and gross profit margin because of decrease in connection projects; and (ii) the continuing high natural gas price in FY2021, resulting in a squeeze of gross profit. For FY2021, the Group's total gas sales and treatment volume decreased by 21.7% from last year to approximately 5,214.0 million cubic meters (FY2020: 6,659.1 million cubic meters), of which the gas sales from the Company's subsidiaries for FY2021 amounted to 688.6 million cubic meters, and the gas sales and treatment volume from the associates of the Group amounted to 4,514.4 million cubic meters. The decrease of overall gas sales was mainly attributable to the lackluster economic performance and weak energy consumption due to the impact of COVID-19 in 2020. For FY2021, the finance costs were HK$132.3 million, representing a decrease of 32.3% as compared to the corresponding period of last year (FY2020: HK$195.5 million). Net loss in FY2021 was HK$278.6 million (FY2020: HK$3,806.4 million), representing a decrease of 92.7% as compared to last year, where net loss for FY2020 was primarily due to the one-off non-recurring impairment of assets arising from the results of forensic investigation in prior year.

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

The Group's major natural gas projects:

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

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

Development and Operation of City Gas Business

During FY2021, the Group had 8 city gas projects located in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. During the year, the Group connected gas pipelines for 33,087 new users and the accumulated number of users reached 420,000, of which 32,865 were new residential users and the accumulated number of residential users reached 420,000. The volume of natural gas sold by the Group to residential users amounted to 67.6 million cubic meters (FY2020: 64.0 million cubic meters). The Group secured 212 new industrial and commercial users and the accumulated industrial and commercial users reached 1,897, and the natural gas sold to industrial and commercial users reached 65.4 million cubic meters (FY2020: 68.4 million cubic meters), which was mainly due to the impact of the pandemic, a large number of enterprises have suspended production, resulting in a significant decrease in demand from industrial and commercial users. City gas business recorded an income of HK$602.1 million (FY2020: HK$639.5 million), which included a connection fee income of HK$133.7 million (FY2020: HK$122.7 million), representing a decrease of 5.8% as compared to the corresponding period of last year.

The Group actively responded to national policies. In order to properly implement the Blue Sky Defensive Strategy to improve the quality of the atmospheric environment, the Group deepened the existing project regional market and vigorously promoted the coal-to-gas process in the plain regions. Moreover, the Group is developing high-quality industrial and commercial users in order to adjust the gas consumption structure of the Northeast China market, the Group continued to improve the market system with the goal of "market integration" and made important contributions to the Group's overall gas volume and revenue. With the independent operation of China Oil and Gas Pipeline Network Group, the channel of city gas business extending to the upstream of industrial chain will be opened, which will promote the formation of multi-source gas supply pattern and reduce the cost of gas consumption. In addition, further development of urbanization boosted residential gas consumption. As China's economy continues to grow, urbanization is expected to achieve stable development, and gas market will likely further expand in the future.

Direct Supply to Industrial Users Business

During the year, the Group recorded an income of HK$494.7 million from its direct supply to industrial users business, representing an increase of 36.8% as compared to last year (FY2020: HK$361.7 million), and sold 109.5 million cubic meters (FY2020: 130.9 million cubic meters) of natural gas to industrial users through the provision of the gas supply service, covering such provinces as Anhui Province, Hainan Province, Zhejiang Province, Guangdong Province and Guangxi Autonomous Region.

Trading and Distribution of LNG and CNG Business

As at 31 December 2021, the Group owned 29% equity interests in PetroChina Jingtang LNG Co., Ltd., and distributed LNG with gas sources from Sinopec's Dongjiakou receiving terminal in Bohai Rim, and CNOOC's Ningbo receiving terminal in the Eastern China respectively. The Group recorded a total trading volume of 426.3 million cubic meters (FY2020: 133.1 million cubic meters) and segment sales amount in trading and distribution business of HK$583.4 million (FY2020: HK$402.3 million).

LNG and CNG Refueling Station Business

The Group sold natural gas for LNG vehicles (trucks and buses) and CNG vehicles (taxis, buses and private cars). During FY2021, the Group owned 29 gas refueling stations, including 17 CNG refueling stations and 12 LNG refueling stations (FY2020: 26 gas refuelling stations, including 16 CNG refueling stations and 10 LNG refueling stations), with gas sales of 15.3 million cubic meters (FY2020: 12.3 million cubic meters) and sales income of HK$47.8 million (FY2020: HK$59.7 million), representing a decrease of 19.8% as compared to last year, mainly because demand from transportation industry was weakened under the pandemic. The Group will develop regional LNG refueling stations based on its layout of the whole LNG industrial chain in the future.

LNG Receiving Terminal Project

In FY2021, the total throughput volume of Petrochina Jingtang (Caofeidian Jingtang LNG Receiving Terminal) project reached 4,452.4 million cubic meters (FY2020: 6,236.1 million cubic meters), among which, the gas volume externally delivered to the pipelines through gasification was 3,333.5 million cubic meters (FY2020: 4,679.8 million cubic meters), while the gas transportation volume of tank trucks was 1,118.9 million cubic meters (FY2020:1,556.3 million cubic meters), representing a significant decrease as compared to 2020, which was mainly because the receiving terminal adjusted its gas supply strategy based on market changes and the transportation volume of LNG tanks decreased.

FUTURE PROSPECTS

2021 marks the start of China's 14th Five-Year Plan. The goal of "peak carbon dioxide emissions and carbon neutrality" has attracted wide attention. As a clean, efficient and safe energy with stable supply, natural gas plays an important role in the domestic transformation of energy structure. The market-oriented reform will be further promoted in the 14th Five-Year Plan period. The energy production, supply, storage, transportation and marketing system will be gradually improved. This will help develop a more matured natural gas industry chain from the upstream, middle to downstream. With implementation of the policy of "liberalizing production and retail and controlling transmission and distribution", further steps and the further implementation of the policy of "upstream diversification" by China Oil and Gas Pipeline Network Corporation ("Pipe China"), increasing reserves and production has been steadily promoted and the construction of gas storage and peak regulation facilities has been accelerated, which bring about more development opportunities for the natural gas industry. In 2022, with the further recovery of the economic environment, the successive introduction of policies regarding energy utilization reform and clean environmental protection across the country, the steady implementation of the policy of "coal-to-gas" and the launch of national carbon trading market, the natural gas demand will be further increased.

In terms of operation, since Beijing Gas Group Co., Ltd ("Beijing Gas") assigned management personnel to the Group in 2020, the management and business capabilities of the Group have been continuously improved. The Group is proactively communicating with its substantial shareholder to seek for its assistance from various aspects. The Group looks forward to, with the support from the substantial shareholder, making further progress in strategic synergy, business support, investment and financing arrangements, talent recruiting and management enhancement in the future. These will facilitate the Group to embark on further development and return its shareholders and investors with better performance. In 2022, the Group will continue to adhere to regulated management. It will adhere to the principle of cost-saving and efficiency-increasing and strictly control expenses to enhance the Group's overall profitability. The Group will continue to expand financing channels, optimize the financing structure through cooperation with more commercial banks, increase current loans, and refinance the original debt at lower costs so as to achieve a reasonable cost reduction and profitability enhancement. Meanwhile, the Group hopes to finalise its refinancing proposal as soon as practicable.

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

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

In 2022, Beijing Gas, a substantial shareholder of the Company, is constructing a LNG receiving terminal at Nangang Industrial Zone in Tianjin, including wharf, berth, and 10 LNG storage tanks with the tank capacity of 200 thousand cubic meters each, and building the supporting facility – pipelines transmitting natural gas from the receiving terminal to Beijing City. LNG receiving terminal at Nangang Industrial Zone in Tianjin is crucial to our layout of the Group's natural gas business development. The Group will have more cooperation opportunities with the substantial shareholder, Beijing Gas, in constructing LNG wharf and trading of LNG. This will benefit the Group's layout in the Beijing-Tianjin-Hebei region, further leverage regional synergies on the basis of the Group's existing business, increase its market share and influence, and enhance its overall LNG delivery and distribution capabilities.

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

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

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, the Group 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. The Group will also enhance the construction of corporate culture to further help employees and the Group to grow together. All in all, the Group will strive to work together from all aspects to achieve the Group's goal of healthy and high-quality development.

FINANCIAL REVIEW

Revenue

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

Gross Profit and Segment Profit

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

Loss before Interests, Tax, Depreciation and Amortisation

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

Other Income and Gains, Net

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

Operating expenses

(a) *Administrative expenses*

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

(b) *Other expenses*

Other expenses, net decreased from HK$254.5 million for the year ended 31 December 2020 to HK$124.9 million for the year ended 31 December 2021, which was mainly due to the combined effect of write-off of financial assets at fair value through profit or loss and inventories and income from recovery of assets amounting to HK$218.4 million in FY2020.

(c) *Finance costs*

Finance costs decreased from HK$195.5 million for the year ended 31 December 2020 to HK$132.3 million for the year ended 31 December 2021 which was mainly due to the decrease in interest on convertible bonds by HK$33.7 million.

(d) Income tax credit/(expenses)

Income tax expense was calculated at the applicable tax rates on the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the year ended 31 December 2020 and 2021 respectively. Income tax expenses of HK$8.5 million (FY2020: Income tax credit of HK$110.8 million) for the year ended 31 December 2021 mainly represented the current taxation arising from the PRC subsidiaries of HK$11.0 million (FY2020: current taxation of HK$33.5 million and deferred taxation of HK$184 million). For the year ended 31 December 2020, the deferred tax credit of HK$184.1 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Loss attributable to the owners of the Company

The Group's loss for the year attributable to the owners of the Company was arrived at HK$275.4 million for the year ended 31 December 2021, representing a decrease by HK$3,440.9 million.

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

Total impairment and write-off of assets and financial assets, decreased from HK$3.82 billion for the year ended 31 December 2020 to HK$296.9 million for the year ended 31 December 2021. It was resulted by the impairment and write-off assets and financial assets in FY2020, which mainly involved impairment of goodwill of HK$869.6 million, impairment of trade receivables of HK$135.9 million, impairment of intangible assets of HK$660.5 million, impairment of deposit for acquisition of subsidiaries of HK$772.0 million, impairment of investments in associate of HK$159.9 million, impairment of investments in joint venture of HK$177.8 million, write-off of financial assets at fair value through profit or loss of HK$223.6 million, impairment of property, plant and equipment of HK$159.0 million, write-off of inventory of HK$59.8 million, impairment of deposit for acquisition of property, plant and equipment of HK$49.6 million, impairment of prepayments, deposits and other receivables of HK$578.8 million, impairment of right-of-use assets of HK$9.0 million, impairment of amounts due from associates of HK$30.8 million and income from recovery of assets of HK$65.0 million. Apart from the above, write-off of assets was included in other comprehensive income of HK$111.4 million in FY2020.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

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

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

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

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

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

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

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

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

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

EMPLOYEES' INFORMATION

The Group's employees are based in Hong Kong and the PRC. As at 31 December 2021, the Group had 934 (31 December 2020: 1,052) employees. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGES RATES

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

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liabilities.

FINAL DIVIDEND

The Board did not recommend a payment of final dividend for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out in the Corporate Governance Code (the "CG Code") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Group has adopted practices which meet the CG Code during FY2021.

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

Code provision E.1.2

Pursuant to code provision E.1.2 of the CG Code in force during FY2021, the chairman of the Board should attend the annual general meeting. The then chairman of the Board, Mr. Zhi Xiaoye and deputy chairman, Mr. Cheng Ming Kit (duties suspended on 16 January 2021 and removed as non-executive Director and deputy chairman with effect from 29 November 2021), were unable to attend the annual general meeting of the Company held on 29 November 2021 due to COVID-19 and Beijing Municipal Public Security Bureau of the People's Republic of China has taken criminal compulsory measures against Mr. Cheng Ming Kit.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and 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 FY2021.

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

During FY2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles, accounting policies and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement and consequently no opinion on assurance conclusion has been expressed by the Company's auditors on the preliminary announcement.

PROPOSED AMENDMENTS TO BYE-LAWS, ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The Board proposes that certain amendments be made to the Company's existing bye-laws (the "Bye-laws") to, among other things, (i) bring the Bye-laws in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules and make corresponding changes to the Bye-laws; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of the Bermuda and the Listing Rules; and (iv) incorporate certain other consequential and housekeeping amendments (including update of the Company's name effective from 9 December 2016 and removal of provisions which are no longer applicable following the voluntary delisting of the Shares from the Main Board of the Singapore Exchange Securities Trading Limited in 2018) (collectively the "Proposed Amendments"). Accordingly, the Board proposes to adopt the new bye-laws (the "New Bye-laws") in substitution for, and to the exclusion of, the Bye-laws.

The Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the at the forthcoming annual general meeting of the Company (the "AGM"), and will become effective upon the approval by the Shareholders at the AGM.

After the Proposed Amendments come into effect, the full text of the New Bye-laws will be published on the websites of the Stock Exchange and the Company.

A circular containing, among other things, details of the Proposed Amendments, together with a notice convening the AGM, will be despatched to the Shareholders in due course.

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 AGM will be despatched to the shareholders of the Company together with the 2021 Annual Report on or before 30 April 2022 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, 22 April 2021 and 22 November 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, 19 April 2022

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 Director is Mr. Zhi Xiaoye; and the independent non-executive Directors are Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.