Sino Gas Holdings Group Limited
中油潔能控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1759

2020
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ji Guang *(Chairman)*
Ms. Ji Ling *(Vice-Chairman and Chief Executive Officer)*
Ms. Cui Meijian
Mr. Zhou Feng

Independent Non-executive Directors

Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng

AUDIT COMMITTEE

Dr. Zheng Jian Peng *(Chairman)*
Mr. Wang Zhonghua
Mr. Sheng Yuhong

REMUNERATION COMMITTEE

Mr. Wang Zhonghua *(Chairman)*
Dr. Zheng Jian Peng
Mr. Sheng Yuhong

NOMINATION COMMITTEE

Mr. Sheng Yuhong *(Chairman)*
Dr. Zheng Jian Peng
Mr. Wang Zhonghua

COMPANY SECRETARY

Ms. Wong Pui Yin Peony

AUTHORISED REPRESENTATIVES

Ms. Ji Ling
Ms. Wong Pui Yin Peony

REGISTERED OFFICE

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Cayman Islands

HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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AUDITORS

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Central, Hong Kong

HONG KONG LEGAL ADVISER

WAN & TANG
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Central, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Co., Ltd.
  Guangzhou Liuhua Branch
Bank of China Zhuhai Branch
China Construction Bank Co., Ltd.
  Guangzhou Conghua Branch

COMPANY'S WEBSITE ADDRESS

www.sinogasholdings.com

STOCK CODE

1759

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**"). I am pleased to present our audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the year ended 31 December 2020.

In 2020, the novel coronavirus (COVID-19) pandemic (the "**Pandemic**") affected countries around the world on many fronts. China's economy as a whole was in general decline as a result of the Pandemic. During the year, China effectively achieved a milestone victory in the fight against the Pandemic and resumed production in an orderly manner in all sectors, and introduced a package of large-scale stimulus policies during the National People's Congress and the Chinese People's Political Consultative Conference in May. The measures have facilitated the restoration of order of secondary industries (including mining, manufacturing, electricity, gas and water production and supply, and construction) in China in a steady manner, while other sectors are starting to get back on track. As a result, China's economy was characterized by a V-shaped turnaround and a steady recovery in 2020. Despite being hit by the Pandemic, the country managed to get out of the predicament in time and recorded a GDP of RMB101.6 trillion in 2020, an increase of 2.3% year-on-year. This was the first time that China's GDP surpassed the 100 trillion mark.

In 2020, the natural gas and liquefied petroleum gas (the "**LPG**") markets were under pressure from both internal and external sources, the Pandemic and the plunge in international oil prices. The market was directly impacted by the Pandemic in the first quarter of 2020. Companies started to resume production in the second quarter of 2020 following effective Pandemic prevention measures and stimulus policies in China during the period. The consumption of natural gas in 2020 was approximately 320 billion cubic meters, an increase of approximately 13 billion cubic meters from 2019. The natural gas market was resilient in 2020, with the overall performance exceeding expectations. As 2020 was the final year of the Three-Year Action Plan for Winning the Blue Sky Defense Battle, demand for natural gas continued to grow at a faster pace. Demand for LPG has been gradually recovering with the Pandemic subsiding and international oil price stabilizing.

As a result of the above-mentioned reasons, in the first half of 2020, the demand for gas dropped significantly and the Group's LPG business and natural gas sales revenue declined significantly. As the Pandemic gradually subsided, the Group's business operations gradually resumed in the second half of 2020. During the Pandemic, the safety and health of our employees and customers were our top priority, while we proactively promoted the recovery momentum of our business and maintained the stability of our operations of our business. The Group recorded a revenue of approximately RMB1,284.4 million for the year ended 31 December 2020, representing an increase of 0.4% over the same period in 2019.

Based on our years of experience in the gas business, we will continue to improve the Group's upstream, midstream and downstream industrial chains. For upstream procurement, we continue to build good relationships with suppliers to ensure supply prices and capacity; for midstream logistics, we expect to maintain efficient logistics in the future, thanks to the improvement of gas storage facilities and increase in development efforts by the government; and we will also expand our downstream sales network and combine the strengths of the upstream and midstream to strengthen the entire industry chain.

CHAIRMAN'S STATEMENT

In terms of retail, in 2020, the Group owned and operated 3 compressed natural gas (the "**CNG**") mother stations, 12 CNG refuelling stations, 2 liquefied natural gas (the "**LNG**") refuelling stations, 1 liquefied-to-compressed natural gas (the "**L-CNG**") refuelling station, 6 liquefied petroleum gas refuelling stations and 3 refuelling stations. We continued to add new retail outlets and adopted diversified and innovative marketing strategies to bring greater retail terminal sales for the Group. In terms of wholesale, the Group continued to expand its wholesale business in LPG and natural gas in order to seize opportunities for increasing consumption in domestic, commercial and industrial sectors. In this over-supply market environment, we will continue to adopt the sales model that can "narrow our profit margin to strike for significant sales expansion", with a view to capturing more market share. In 2021, the Group will continue to diversify and further develop the entire industry chain, which remains the Group's goal. At the same time, the Group will accelerate the adjustment of the industrial structure and gradually realize strategic transformation. Our next step will be to seize the opportunity to capture a larger share of the market in residential, industrial and automotive supply. While for many years, the Group has been concentrating its business in two regions in China, namely Henan Province and Guangdong Province, we have opened up a new region, Hebei Province, during the year. We believe that, with our professional management team, we will be able to establish a presence as a natural gas supplier in the growing LPG and natural gas industry outside of Guangdong and Henan provinces, and improve the entire industrial chain and explore more potential business opportunities with this goal.

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, and our Directors for their dedication and perseverance, especially during this time of opportunities and challenges. I would also like to express our sincere gratitude to our customers for their invaluable patronage and to the shareholders for their continued confidence in and support of the Group. I would also like to sincerely thank our business partners and banks for their continuous support throughout the year. In the year to come, we hope that we will continue working together to achieve new development for the Group, to fulfil dreams for our employees, and to generate a greater return for our shareholders with a new way of thinking and a better direction.

Ji Guang
Chairman

30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2020, the global economy, including the People's Republic of China (the "**PRC**"), was affected in many ways by the Pandemic. The supply, demand and transportation of energy industry were greatly impacted by quarantine measures in place, directly affecting fuel demand. Fortunately, the economy recovered steadily in the second half of 2020 as the Pandemic was well contained by the introduction of effective policies implemented by the Chinese government at all levels to combat the Pandemic and facilitate the resumption of work and production in a safe and orderly manner. China's economy showed a quarterly upturn in 2020, with GDP growth turning positive at 3.2% year-on-year in the second quarter from a negative 6.8% in the first quarter and reaching 6.5% year-on-year in the fourth quarter.

On the LPG front, the domestic LPG market was hit hard by the outbreak of the Pandemic in 2020 and the sharp fluctuations in crude oil prices. Demand for chemical raw materials, industrial, commercial and domestic fuels decreased, as did demand for vehicle fuels due to traffic controls and adjustments to traffic energy policy structure. As the Pandemic was gradually brought under control and the market balance between supply and demand continued to improve, domestic LPG supply and demand grew gradually throughout the year, although at a slower rate than last year. In 2020, the Group adopted a diversified sales strategy and an innovative business model to actively explore new customers, resulting in a greater breakthrough in the LPG segment.

On the natural gas front, the economic recovery, together with the opening up of natural gas sources and sales prices by the National Development and Reform Commission and the development of a competitive market, will greatly facilitate the widespread use of natural gas for clean and efficient energy, and bring benefits to those involved in the production and sale of gas sources and terminal sales. During the year, the National Energy Administration issued the Guiding Opinions on Energy Work in 2020 (2020年能源工作指導意見), suggesting that the construction of infrastructure for natural gas production, supply, storage and sales system, including the construction of pipeline networks and storage facilities should be accelerated, and the shortcomings in natural gas interconnection and transmission capacity in key areas, so as to form a "national network", thus demonstrating that the Chinese government will strongly promote natural gas. Despite the impact of the Pandemic, the natural gas industry demonstrated outstanding resilience. According to the China Natural Gas Development Report (2020) (中國天然氣發展報告(2020)), the comprehensive forecast results indicated that the national natural gas consumption in 2020 was approximately 320 billion cubic metres, representing an increase of approximately 13 billion cubic metres from 2019. Against the backdrop of favourable policies in the natural gas industry, the Group further expanded its business area in Hebei Province during the year to further enlarge its corporate scale and business coverage.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in the PRC with a complete industry chain that engages in the sales of LPG and natural gas and the operation of vehicular refuelling stations (車用加氣站) and domestic stations (民用站) in Guangdong Province, Henan Province and Hebei Province with over 15 years of proven track records in the industry.

For the year ended 31 December 2020, the Group has recorded revenue of approximately RMB1,284.4 million, representing an increase of approximately RMB5.5 million as compared to approximately RMB1,278.9 million in 2019. The increase was mainly attributable to the increase of sales volume from the LPG wholesale and LNG retail businesses during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) LPG Business

LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. As at 31 December 2020, the Group had 4 LPG vehicular refuelling stations and 2 LPG domestic stations in Guangdong Province. There was also an LPG terminal with storage facilities located in Guangdong Province. Compared to the same period in 2019, we ceased operating 2 LPG vehicular refuelling stations because the landlord took back the land.

The Group possesses a comprehensive business model in our LPG business. Our upstream procurement of LPG consists of large scale LPG domestic gas suppliers with their own terminal and storage which mainly import LPG from overseas, and domestic petrochemical refineries. With the delivery of our intermediary logistics (including vehicles or gas carrier ships designated for LPG use), the Group is able to provide LPG to our customers including LPG vehicular refuelling stations, LPG domestic stations and wholesale customers, and our customers consist of retail and wholesale customers. The Group also owns the LPG terminals through Jiangmen Xinjiang Gas Company Limited (江門市新江煤氣有限公司) ("**Jiangmen Xinjiang Gas**"), a jointly controlled entity.

For the year ended 31 December 2020, the Group has recorded the LPG sales revenue of approximately RMB1,027.5 million, representing an increase of approximately RMB65.3 million as compared to approximately RMB962.2 million in 2019. The increase in revenue was mainly due to the increase in the wholesale sales of LPG.

(2) CNG Business

CNG is widely used in short distance vehicles such as local buses, taxis and private vehicles. As at 31 December 2020, we had 12 CNG vehicular refuelling stations, 1 L-CNG vehicular refuelling station and 3 CNG mother stations in Henan Province.

The CNG business model is well supported by our upstream suppliers primarily consist of PetroChina Company Limited ("**PetroChina**"), by utilising the West to East Gas Transmission Tunnel (西氣東輸管道) to supply CNG to our CNG mother stations. Our own logistics fleet is the major logistic system to transport CNG to the location of our CNG vehicular refuelling stations and the locations of our customers while some of our wholesale customers may also arrange for their own logistics arrangement. Our downstream portfolio consists of CNG vehicular refuelling stations and our customers consist of a variety of retail and wholesale customers.

For the year ended 31 December 2020, the Group has recorded the CNG sales revenue of approximately RMB189.2 million, representing a decrease of approximately RMB87.1 million as compared to approximately RMB276.3 million in 2019. The decrease in revenue was mainly due to the decrease in sales of CNG, which was affected by the Pandemic and the replacement of some of CNG vehicles in the business area to LNG and electric vehicles during the year.

(3) LNG Business

The LNG refuelling market in China is still at an emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. With the support of the China government policies, the development and promotion of LNG in the South China and coastal areas has developed rapidly, especially the rising demand for LNG in the industrial and power generation industries, which has laid a solid foundation for the growth of LNG. As at 31 December 2020, we had 2 LNG vehicular refuelling stations in Guangdong Province and 1 L-CNG vehicular refuelling station in Henan Province. Compared to the same period in 2019, we increased an LNG vehicular refuelling station in Guangzhou, Guangdong Province.

For our LNG business model, the Group possesses a strong upstream procurement suppliers formed by large-scale LNG terminal companies. As vehicles containing special cryogenic storage facilities and tanks for LNG use are required for transportation of LNG, the Group uses third party logistics service providers to transport our LNG to our LNG vehicular refuelling stations and to our wholesale customers. Meanwhile, the downstream portfolio consists of the LNG vehicular refuelling stations and our customers consist of retail and wholesale customers.

For the year ended 31 December 2020, the Group has recorded the LNG sales revenue of approximately RMB58.0 million, representing an increase of approximately RMB24.7 million as compared to approximately RMB33.3 million in 2019. The increase in revenue was mainly due to the increase in sales volume of LNG during the year.

As at 31 December 2020, the number of our gas refuelling stations and petroleum refuelling stations in operation are set out below:

	As at 31 December 2020	As at 31 December 2019
Gas refuelling stations		
LPG station	**6**	8
CNG station	**12**	12
LNG station	**2**	1
L-CNG station	**1**	1
CNG mother station	**3**	3
Total number of gas refuelling stations	**24**	25
Petroleum refuelling stations		
Petroleum refuelling stations	**3**	0
Total	**27**	25

Meanwhile, as at 31 December 2020, the breakdown of our gas refuelling stations and petroleum refuelling stations in operation by cities and provinces are set out below:

City, Province	LPG refuelling stations	LNG refuelling stations	CNG refuelling stations	L-CNG refuelling stations	Petroleum refuelling stations	Total number of stations
Guangzhou, Guangdong Province	4[(1)]	2[(2)]	0	0	0	6
Jiangmen, Guangdong Province	2[(3)]	0	0	0	0	2
Total number of stations in Guangdong Provinces	6	2	0	0	0	8
Xinyang, Henan Province	0	0	1	0	0	1
Zhengzhou, Henan Province	0	0	8	0	1[(4)]	9
Zhumadian, Henan Province	0	0	3[(5)]	0	2[(6)]	5
Xinzheng, Henan Province	0	0	3[(7)]	1	0	4
Total number of stations in Henan Province	0	0	15	1	3[(8)]	19
Total	6	2	15	1	3	27

Notes:

1. The two LPG refuelling stations of the Group located in Guangzhou City, Guangdong Province, ceased operations as the landlord took back the land.

2. The Group completed the construction of and commenced operation of an LNG refuelling station in Guangzhou City, Guangdong Province, in the first half of 2020.

3. The two LPG domestic stations are owned by Jiangmen Xinjiang Gas, which is our jointly controlled entities and is not our subsidiary.

4. The Group built and operated a petroleum refuelling station in Zhengzhou City, Henan Province in the second half of 2020.

5. It comprises one CNG mother station in Zhumadian City, Henan Province.

6. The two petroleum refuelling stations are owned by Henan Blue Sky Sino Gas Technology Company Limited ("**Henan Blue Sky**"), which has become a wholly owned subsidiary of the Company at the end of February 2020. For details, please refer to the announcement of the Company dated 27 February 2020.

7. It comprises two CNG mother stations in Xinzheng City, Henan Province.

8. The three petroleum refuelling stations are operated by independent third parties.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue by product mix for the years ended 31 December 2020 and 2019 are summarized as below:

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Sales volume (Note)	Revenue (RMB'000)	Percentage of revenue (%)	Sales volume (Note)	Revenue (RMB'000)	Percentage of revenue (%)
Retail						
LPG	**8,614**	**48,328**	**3.8%**	20,628	115,632	9.0%
CNG	**48.6**	**160,362**	**12.5%**	68.4	239,986	18.8%
LNG	**7,573**	**27,905**	**2.2%**	5,242	17,764	1.4%
Sub-total		**236,595**	**18.5%**		373,382	29.2%
Wholesale						
LPG	**328,872**	**979,135**	**76.2%**	240,795	846,617	66.2%
CNG	**12.0**	**28,805**	**2.2%**	13.7	36,287	2.8%
LNG	**11,154**	**30,106**	**2.3%**	4,289	15,552	1.2%
Others		**9,717**	**0.8%**		7,060	0.6%
Sub-total		**1,047,763**	**81.5%**		905,516	70.8%
Total		**1,284,358**	**100%**		1,278,898	100%

Note: Sales volume for LPG and LNG are measured in tonnes and sales volume for CNG is measured in million cubic metres.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

The global economic environment has been affected by the Pandemic and energy demand has fallen sharply, but fortunately, China's prompt response to the Pandemic and its clean energy policies have led to an improvement in gas demand. The Pandemic has been effectively contained in China, but the impact of the Pandemic on the Chinese economy is not yet over and the energy sector is still facing certain uncertainties. The Group will continue to work diligently to implement Pandemic prevention and control measures to ensure the safety of its employees while maintaining the stability of its business operations.

Looking ahead to 2021, it will be an important year for economic recovery after the Pandemic and the opening year of the "14th Five-Year Plan". The "China Energy and Chemical Industry Development Report in 2021" (2021中國能源化工產業發展報告) issued by Sinopec Economics and Development Research Institute (中國石化經濟技術研究院) predicts that natural gas consumption in China will enter a medium-to-high-growth phase during the "14th Five-Year Plan" period and China will remain the most attractive place for global resources. The production, supply, storage and sales system will also be further improved. With changes in the competition in upstream and downstream, the restrictions on the gate station prices are expected to be removed. A competitive market has taken shape. The average annual consumption growth rate of natural gas, as a low-carbon energy source, still maintains an average annual consumption growth rate of above 7%. This shows that natural gas market is bound to continue to maintain a medium-to-high-speed development trend in 2021. The Group will continue to develop the upstream, midstream and downstream natural gas industrial chains, and improve and extend the industrial chain to lay a better foundation for the Group's next step of development.

The market share of LPG fuel demand has shrunk as natural gas market penetration has increased. While fuel demand remains the largest domestic market segment, the rise in demand for chemical raw materials is an inevitable trend that will lead to greater growth in demand for LPG deep processing in the future. With the Pandemic gradually under control and oil prices gradually recovering, LPG market is expected to continue to grow steadily in 2021.

The Company will continue to grasp the market opportunities, enhance the industrial chain in line with the national policy, and continue to explore business models for energy diversification to enhance the efficiency and strengthen the core competitiveness and the sustainability and expand its business development to reward shareholders with outstanding results, and hope to work together with customers, employees, society and enterprises to develop and achieve a better future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group has recorded revenues of approximately RMB1,284.4 million, representing an increase of approximately RMB5.5 million as compared to approximately RMB1,278.9 million in 2019. The increase was mainly attributable to the increase of sales volume from the LPG wholesale and LNG retail businesses during the year.

Revenue from contracts with customers within the scope of IFRS 15	**2020 RMB'000**	2019 RMB'000
LPG	**1,027,463**	962,249
CNG	**189,167**	276,273
LNG	**58,011**	33,316
Others	**9,717**	7,060
	1,284,358	1,278,898

Cost of Sales and Gross Profit

The Group's cost of sales primarily consisted of all costs of procuring LPG, CNG and LNG from the Group's suppliers and logistic services providers for transporting gases. The Group's cost of sales increased by approximately RMB46.7 million from approximately RMB1,135.4 million in 2019 to approximately RMB1,182.1 million in 2020, which was mainly due to the increase of sales volume from the LPG wholesale and LNG businesses during the year.

For the year ended 31 December 2020, the gross profit of the Group was approximately RMB102.3 million, representing a decrease of approximately RMB41.2 million as compared to approximately RMB143.5 million in 2019. The decrease in gross profit margin was due to the impact of the replacement of some LPG vehicles in the operating area of the Group with LNG and electric vehicles and the impact of the Pandemic in the PRC since January 2020 on the Group, resulting in the decrease in the retail sales volume of LPG and CNG for vehicles which has relatively higher gross profit margin.

Staff Costs

For the year ended 31 December 2020, the Group's staff costs were approximately RMB37.7 million, representing a decrease of approximately RMB7.0 million as compared to approximately RMB44.7 million in 2019. This is mainly due to the cessation of operation of the two LPG refuelling stations of the Group in 2020 and the decrease in sales volume of LPG and CNG for vehicles, which further led to the Group's reduction of some refuelling station's employees and the reduction of employee bonuses in 2020.

Depreciation

For the year ended 31 December 2020, the depreciation of the Group was approximately RMB25.1 million, representing an increase of approximately RMB3.6 million as compared to the Group's depreciation of approximately RMB21.5 million in 2019. This was mainly due to the increase in property, plant and equipment as a result of the acquisition of 50% of the equity interests of Henan Blue Sky during the year.

Operating Lease Charges

For the year ended 31 December 2020, the operating lease charges of the Group was approximately RMB2.0 million, representing a decrease of approximately RMB2.9 million as compared to the Group's operating lease charges of approximately RMB4.9 million in 2019. This was mainly due to the decrease in the rental expense for two of the Group's LPG refuelling stations that ceased operations.

Other Operating Expenses

For the year ended 31 December 2020, the Group's other operating expenses were approximately RMB35.3 million, representing a decrease of approximately RMB6.6 million as compared to the Group's other operating expenses of approximately RMB41.9 million in 2019. This was mainly due to (i) the decrease in the sales of CNG which led to the corresponding reduction in water and electricity charges for CNG refuelling stations; (ii) the decrease in professional service fees of the Group; and (iii) the decrease in administrative expenses.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs were approximately RMB6.5 million, representing a decrease of approximately RMB6.7 million as compared to the Group's finance costs of approximately RMB13.2 million in 2019. This was mainly due to the decrease in bank borrowing rate and average bank borrowing balances in 2020.

Profit Before Taxation

For the year ended 31 December 2020, the Group's profit before taxation was approximately RMB18.3 million, representing a decrease of approximately RMB15.0 million as compared to the Group's profit before taxation of approximately RMB33.3 million in 2019.

Income Tax

For the year ended 31 December 2020, the Group's income tax expense was approximately RMB5.3 million, representing a decrease of RMB7.5 million as compared to the Group's income tax of approximately RMB12.8 million in 2019.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2020, the Group achieved a profit for the year of approximately RMB13.0 million, representing a decrease of approximately RMB7.5 million as compared to the Group's net profit of approximately RMB20.5 million in 2019.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2020, the financial position of the Group remained stable. The total value of assets was approximately RMB666.8 million, representing an increase approximately RMB69.4 million as compared to the total value of assets of approximately of RMB597.4 million in 2019. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 31 December 2020, the Group had approximately RMB109.4 million in cash and bank balances.

Capital Expenditure

The capital expenditure of the Group was mainly related to the payments for purchase of property, plant and equipment (including right-of-use assets) which amounted to approximately RMB6.8 million for the year ended 31 December 2020.

Borrowings

The Group's borrowings as at 31 December 2020 and 2019 are summarised below:

	2020 **RMB'000**	2019 RMB'000
Unsecured	**–**	100,000
Secured	**196,597**	36,370
	196,597	136,370

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 43.1% as at 31 December 2020 (31 December 2019: 37.7%). The increase in gearing ratio was mainly attributable to the increase in bank borrowings of the Group.

Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 502 employees (2019: 602, including the staff of our joint venture, Jiangmen Xinjiang Gas). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employees. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

USE OF PROCEEDS FROM THE LISTING

After deduction of all related listing expenses and commissions, the net proceeds from the listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2018 (the "**Listing**") amounted to approximately HK$120.3 million. Details of the proposed use of such net proceeds are disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 27 February 2020. As at 31 December 2020, the Group had utilised approximately HK$61.8 million, representing approximately 51.4% of the net proceeds from the Listing as follows:

Intended use of proceeds	Original allocation HK$ million	Revised allocation as at 27 February 2020[3] HK$ million	Utilisation as at 31 December 2020 HK$ million	Remaining balance as at 31 December 2020 HK$ million	Expected timeline for full utilisation of the remaining proceeds[4]
To acquire operating rights of an LPG domestic station[1]	20.5	20.5	0	20.5	By the end of 2021
To strengthen our LPG logistics and storage capacity by constructing storage facilities[2]	21.7	21.7	0	21.7	By the end of 2021
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station[2]	27.7	14.5	12.6	1.9	By the end of 2021
To construct new refuelling stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing refuelling stations	24.1	16.1	16.1	0	N/A
To increase our logistics capacity by purchasing additional vehicle fleets	14.4	14.4	0	14.4	By the end of 2023
To finance the acquisition[3]	–	21.1	21.1	0	N/A
General working capital	12.0	12.0	12.0	0	N/A
Total	120.3	120.3	61.8	58.5	

Notes:

1. Due to the impact of the Pandemic on the global economy and business environment, the Group has not yet identified a suitable acquisition target. The Group will continue to actively identify suitable acquisition targets by adopting prudent strategy.

2. The construction of storage facilities and new CNG mother station are affected by the change of project progress and the Pandemic, and the Group will delay the use of net proceeds accordingly.

3. The Group acquired 50% of the equity interests of Henan Blue Sky and fully utilised the redistributed net proceeds at the end of March 2020. For details, please refer to announcement of the Company dated 27 February 2020.

4. The expected timeline for full utilisation of the remaining proceeds is made based on the best estimation of the Group taking into account, among others, the prevailing and future market conditions and business developments and need, and therefore is subject to change.

As of 31 December 2020, the Group expected that, except for those described in the notes above, there will be no change in the planned use and timing of the use of proceeds from the Listing, and the unutilized net proceeds will be deposited into interest-bearing bank accounts.

FOREIGN EXCHANGE EXPOSURE

As all of our operations are located in the PRC, all of the revenue from customers of the Group are derived from activities in the PRC.

The reporting currencies of the Group is RMB. The Group has currency risk exposures arising from business operations and financial instruments that are denominated in a foreign currency, and such risk is primarily HK$. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate or entering into appropriate forward contracts when necessary.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2020. Our finance department is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the general manager, financial controller and the Board, and monitoring the investments on a continuous basis.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, the Group held a structured bank deposit issued by a bank with the principal amount of RMB50,000,000 and maturity date on 16 June 2021. Such structured bank deposits were pledged for one year as securities for the Group's bank loans as at 31 December 2020 and was classified as "financial assets at fair value through profit or loss" in the Company's consolidated financial statements. For details, please refer to the Company's announcement dated 29 March 2021.

As at 31 December 2020, included in financial assets and liabilities measured at fair value through profit or loss, there was unlisted equity securities of approximately RMB3.4 million and foreign exchange forward contracts of approximately RMB3.0 million, of which unlisted equity securities was a supplemental means to improve utilisation of our cash on hand. Apart from the acquisition of Henan Blue Sky announced on 27 February 2020, the Group had no definite future plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR JOINT VENTURES

On 27 February 2020, Sino Gas Investment Group Limited ("**HK Investment**"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Henan Blue Sky Gas Corporation ("**Blue Sky Gas**") and Henan Blue Sky, pursuant to which, HK Investment had agreed to purchase, and Blue Sky Gas had agreed to sell, 50% of the equity interests in Henan Blue Sky, at a total cash consideration of RMB19.0 million. The acquisition was completed on 28 February 2020. Upon completion, Henan Blue Sky, previously accounted for as a joint venture, has become a wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 27 February 2020.

For the year ended 31 December 2020, apart from the aforementioned acquisition, the Group had no material acquisitions and disposals of subsidiaries or joint ventures.

CONTINGENT LIABILITIES

In 2019, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages arising from debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB64,414,000 (the "**Claim**"). During the year ended 31 December 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this report, the plaintiff is seeking an appeal on the judgement. The Directors do not consider it probable that the subsidiary will be found liable to the Claim and accordingly, no provision has been made as at 31 December 2020.

PLEDGE OF ASSETS

Included in cash at bank and on hand, RMB45,500,000 (2019: RMB7,500,000) was pledged as securities for the Group's bank loans as at 31 December 2020. The pledged and restricted bank deposits of RMB7,550,000 (2019: RMB7,210,000) were pledged as securities for the Group's foreign exchange forward contracts outstanding as at 31 December 2020.

Certificates of deposit of RMB70,000,000 (2019: Nil) (Note 17 to the consolidated financial statements) were pledged one year as securities for the Group's bank loan as at 31 December 2020. As at 31 December 2020, the Group held a structured bank deposit issued by a bank with principal amount of RMB50,000,000 (2019: Nil) and a maturity date on 16 June 2021. Such structured deposit was pledged for one year as securities for the Group's bank loan as at 31 December 2020.

TAX RELIEF AND EXEMPTION

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

PRINCIPAL RISKS AND RISK CONTROL MECHANISM

The Group has implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. The Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of the Group.

Principal Risks

For the year ended 31 December 2020, the following principal risks of the Group were identified and classified as follows:

- The business of the Group is subject to the development of the PRC government policies and any future unfavourable policies may materially and adversely affect our business development and performance. We cannot predict future changes in laws and regulations or government policies, which may vary and are beyond the control of the Group;

- The Group is dependent on our major suppliers and any instability in or shortages of supply of LPG and LNG from our major suppliers could significantly and adversely affect our business;

- PetroChina is our ultimate major supplier for CNG in Henan Province and any instability or shortages of supply of natural gas to us from PetroChina could significantly and adversely affect our business;

- The gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of our gas products (including LPG, CNG and LNG) are sensitive to factors beyond our control;

- Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, which may reduce the demand for our gas refuelling business;

- The Group is exposed to credit risk of our customers. If the credit worthiness of our customers deteriorates or if a significant number of our customers fails to settle their trade and bill receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected;

- The Group requires various licences and permits to commence, operate and expand our operation. Any failure to obtain or renew any or all of the licences and permits or any enforcement action taken against us for non-compliance incident which could involve suspension or termination of our licences or permits may materially and adversely affect our business and expansion plans; and

- The Pandemic had an adverse impact on our operating performance and financial position. If the Pandemic breaks out again or happens similar to any events that have a significant adverse impact on our business area, the relevant events may have a significant impact on our business.

The management team of the Company is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner while the effectiveness of our risk management framework will be evaluated at least once a year, and periodic management meetings are held to update the progress of risk monitoring efforts by the audit committee of the Company and the Board.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Ji Guang (姬光先生) ("Mr. Ji"), aged 58, is the Chairman of the Board and an executive Director. Mr. Ji was appointed as a Director on 26 March 2018 and re-designated as an executive Director on 11 June 2018. Mr. Ji was the Chief Executive Officer of the Group and stepped down from his role as the Chief Executive Officer with effect from 8 January 2021. Mr. Ji is the father of Ms. Ji Ling, an executive Director, the Vice-Chairman of the Board and the Chief Executive Officer of the Group.

As one of the founders of the Group, Mr. Ji has about 15 years of experience in the gas retail business and gas wholesale business. Mr. Ji co-founded the Group with AVIC Group (i.e. AVIC Joy Holdings (HK) Limited (幸福控股(香港)有限公司) (stock code: 260) and its subsidiaries) by setting up Sino Gas (Zhuhai) Limited (中油潔能(珠海)石化有限公司) ("**ZH Petrochemical**"). He served as the chairman of ZH Petrochemical from January 2009 to December 2014 and was re-designated to be a director of ZH Petrochemical from December 2014 to August 2017, and eventually he was again re-designated as the chairman in August 2017. Mr. Ji is also serving as a director in certain subsidiaries of the Company, and is responsible for overseeing the overall management and development of our gas retail business and gas wholesale business.

Mr. Ji graduated from Sichuan Radio and TV University (四川廣播電視大學), the PRC in August 1983 and specialised his studies in Mechanics (機械類專修科). Mr. Ji subsequently obtained an Executive Master of Business Administration (EMBA) degree (高級管理人員工商管理碩士專業學位) from Tsinghua University (清華大學), the PRC in June 2011. He is now pursuing a doctorate degree in Management Science and Engineering (管理科學與工程) at the College of Management of Tianjin University (天津大學管理學院), the PRC.

Prior to co-founding the Group, Mr. Ji held various managerial positions in China Aero-Technology Import and Export Company Zhuhai Industrial Centre (中國航空技術進出口公司珠海工貿中心) from April 1985 to August 1993. Mr. Ji was the chairman of Sino Aero Limited (國航企業有限公司), an aviation corporation, for the period from September 1993 to October 2004. He has also served as a director of Zhuhai Sino Aero Limited (珠海國航企業有限公司) and Vice President of the Fifth Council of China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會).

Ms. Ji Ling (姬玲女士) ("Ms. Ji"), aged 31, is the Vice-Chairman of the Board, an executive Director, the Chief Executive Officer and the financial controller of the Group. She joined the Group in April 2016 as the investment director of Guangdong Sino Gas Investment Company Limited (廣東中油潔能投資有限公司). She is primarily responsible for financial planning and strategic management of the Group and overseeing the internal control and risk management policies of the Group. Ms. Ji was appointed as a Director on 11 June 2018 and re-designated and/or appointed as an executive Director and the Vice-Chairman of the Board on 11 June 2018 and 22 November 2018 respectively. She was subsequently appointed as the Chief Executive Officer of the Group with effect from 8 January 2021. She participates in planning business and marketing strategies, supervising the overall operations of the Group, and overseeing the daily management business of the Group. Since 2019, Ms. Ji was also appointed as the director of various subsidiaries of the Company. Ms. Ji is a daughter of Mr. Ji, the Chairman of the Board and an executive Director.

Ms. Ji completed the programme of Associate of Business Administration at the School of Professional and Continuing Education Community College of The University of Hong Kong (HKUSPACE) in June 2009. She then obtained a degree of Bachelor of Science in Accounting and Finance from the University of East Anglia, the United Kingdom in July 2012 and a degree of Master of Science in Management of Information Technology from the University of Nottingham, the United Kingdom in December 2013. She is now pursuing an Executive Master of Business Administration (EMBA) degree at the PBC School of Finance, Tsinghua University (清華大學五道口金融學院), the PRC.

Before she joined the Group, Ms. Ji served as an auditor of the audit and assurance department at Deloitte Touche Tohmatsu from October 2014 to February 2016.

Ms. Cui Meijian (崔美堅女士) ("Ms. Cui"), aged 37, is an executive Director. Ms. Cui was appointed as a Director on 11 June 2018 and was re-designated as an executive Director on the same date.

Ms. Cui joined the Group in December 2006 as the vice-manager of the human resources department of Guangzhou Sino Gas Fuel Chain Company Limited (廣州中油潔能燃氣連鎖有限公司) ("**GZ Sino Gas**"). In September 2008, Ms. Cui was appointed as the vice-manager of finance department and human resources department of GZ Sino Gas and was appointed as the deputy general manager of Guangdong Sino Gas Petrochemical Company Limited (廣東中油潔能石化有限公司) ("**GD Petrochemical**") in July 2014. She has since held various senior management positions in the Group. Ms. Cui has about 13 years of experience in Gas Retail Business and Gas Wholesale Business. She is now serving as a director of certain subsidiaries of the Company, and is responsible for overseeing the management and operation of our Gas Refuelling Business and Gas Wholesale Business of the Company.

Ms. Cui obtained a Bachelor degree of law in Ideological Political Education (思想政治教育) from Zhaoqing University (肇慶學院), the PRC in July 2006. She then completed a postgraduate programme in Economic Law (經濟法學) at Sun Yat-Sen University (中山大學), the PRC in October 2010 and an Executive Master of Business Administration (EMBA) degree at South China University of Technology (華南理工大學), the PRC in December 2017.

Ms. Cui was appointed Vice President (副會長) of the sixth Council of the Guangdong Oil and Gas Association (廣東油氣商會) in December 2018.

Mr. Zhou Feng (周楓先生) ("Mr. Zhou"), aged 37, is an executive Director. Mr. Zhou was appointed as a Director on 11 June 2018 and re-designated as an executive Director on the same date.

Mr. Zhou joined the Group as a project manager of GZ Sino Gas in May 2010 and was later promoted to its sales director in June 2012. He has since held various senior management positions in the Group. Mr. Zhou has about 10 years of experience in gas retail business and gas wholesale business. He is now serving as a director of certain subsidiaries of the Company and is responsible for overseeing the management and operation of the businesses of the Group.

Mr. Zhou obtained a Bachelor degree in Thermal Energy and Power Engineering (熱能與動力工程) from Southeast University (東南大學), the PRC in June 2005. He subsequently obtained a Master degree in Engineering Thermophysics (工程熱物理) from Nanchang University (南昌大學), the PRC in June 2008.

Mr. Zhou obtained a qualification certificate as a middle-level works safety director (中級安全主任) from the Administration of Work Safety of Guangdong Province (廣東省安全生產監督管理局) in November 2010. He also obtained a qualification certificate as an engineer in energy power (能源動力) with intermediate specialised technical skill (中級專業技術) from the Talent Flowing Centre of Jiangxi Province (江西省人才流動中心) in November 2011.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Sheng Yuhong (盛宇宏先生) ("Mr. Sheng"), aged 54, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Nomination Committee, a member of Audit Committee and Remuneration Committee of the Company.

Mr. Sheng obtained a Bachelor degree in Architecture from South China University of Technology, the PRC in July 1989. He subsequently obtained an Executive Master of Business Administration (EMBA) degree at Tsinghua University, the PRC in January 2008.

Since August 1985, Mr. Sheng has been serving as the chairman of the president office (總裁辦) of Guangzhou Hansen Architecture and Design Company Limited (廣州漢森建築設計有限公司) and since May 1993, he has been a managing partner of Guangzhou Bosheng Architecture and Design Consultancy Firm (廣州伯盛建築設計事務所).

Mr. Sheng obtained a qualification certificate as a Grade-1 certified architect (一級註冊建築師) of the PRC from the National Administrative Committee of Certified Architects (全國註冊建築師管理委員會) in August 2003. He also obtained a qualification certificate as a senior interior architect (高級室內建築師) from the China Building Decoration Association (中國建築裝飾協會) in May 2005.

In November 2019, Mr. Sheng was appointed as the deputy supervisor of the first board of supervisors (監事會) of the China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會). In August 2019, Mr. Sheng was appointed as a member of the Guangdong Province Undergraduate College Construction Specialty Teaching Steering Committee (廣東省本科高校建築類專業教學指導委員會). In 2015, Mr. Sheng was appointed as the vice director general (副會長) of Yancheng Design Alliance (羊城設計聯盟), a private non-profit organization with members of design organizations in southern China which specialized in architectural and planning design, interior design, landscape design and other design, and he was subsequently appointed as the president (會長單位) of Yancheng Design Alliance. In December 2014, Mr. Sheng was appointed as the deputy secretary-general of the Environmental Arts Committee of Guangdong Architecture and Civil Engineering Association (廣東省土木建築學會環境藝術專業委員會). He has also been appointed as a visiting professor at the School of Architecture and Urban Planning of Guangdong University of Technology (廣東工業大學建築建築與城市規劃學院) from September 2009 to September 2012.

Mr. Wang Zhonghua (王忠華先生) ("Mr. Wang"), aged 59, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Wang obtained a Bachelor degree in Civil Engineering Specialising in Railway Engineering (土木工程系鐵路工程專業) from Lanzhou Tiedao College (蘭州鐵道學院) (now renamed as Lanzhou Jiaotong University (蘭州交通大學)), the PRC in July 1986. Mr. Wang was registered as a certified cost engineer with Guangdong Construction Practice Qualification Registration Centre (廣東省建設執業資格註冊中心) since October 2009. He was also admitted as a professional member of the Royal Institution of Chartered Surveyors in December 2008 and was granted the professional qualification of senior engineer by the Shenzhen Senior Professional Technology Qualification Committee for Engineering Technology in April 2019.

From 1990 to July 1992, Mr. Wang was employed to be responsible for cost engineering at Ministry of Construction of the Ministry of Railways of the PRC (中華人民共和國鐵道部建設司). Since January 1992, he worked as an engineer at The Third Railway Survey and Design Institute of the Ministry of Railways of the PRC (鐵道部第三勘察設計院). He has also been transferred to Shenzhen City Metro Company Limited (深圳市地鐵有限公司) since October 1993.

Dr. Zheng Jian Peng (鄭健鵬博士) ("Dr. Zheng"), aged 38, was appointed as our independent non-executive Director on 22 November 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Dr. Zheng obtained a Bachelor degree in Business Administration in Accounting from the Open University of Hong Kong in December 2006 and a Master of Laws in International Economic Law degree from the Chinese University of Hong Kong in November 2012. Dr. Zheng subsequently obtained a degree of Doctor of Business Administration from the Apollos University, the USA in September 2016. He is now pursuing a doctorate degree in Business Administration at the Hong Kong Polytechnic University. Dr. Zheng was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2010 and was admitted as a member of the Institute of Chartered Accountants in England and Wales in January 2013.

Dr. Zheng was an executive director and the company secretary of China Oil Gangran Energy Group Holdings Limited (Provisional Liquidators Appointed (for Restructuring Purpose)) (stock code: 8132), from 15 December 2015 to 25 February 2020 and from 31 October 2016 to 22 April 2020 respectively. For the period from January 2014 to April 2014, Dr. Zheng was a non-executive director of Sing Pao Media Enterprises Limited ("**Sing Pao Media**"). In April 2014, Dr. Zheng was re-designated as an executive director to Sing Pao Media until his resignation in October 2014.

Dr. Zheng was a financial controller of China Fortune Investments (Holding) Limited (formerly known as China Public Healthcare (Holding) Limited) (stock code: 8116) from March 2010 to March 2012 and he was an executive director of Global Strategic Group Limited (stock code: 8007) for the period from October 2014 to June 2016. Dr. Zheng was also an independent non-executive Director of Success Dragon International Holdings Limited (stock code: 1182) from August 2016 to September 2017.

SENIOR MANAGEMENT

Mr. Li Pei (李霈先生) ("Mr. Li"), aged 51, is the general manager in respect of the Group's business in Henan Province and is an executive vice president of the Group.

Mr. Li joined the Group in August 2006 as deputy general manager of GZ Sino Gas and has since held various senior management positions in the Group. He is now a director of certain subsidiaries of the Company and is responsible for supervising and managing the operation of the refuelling stations in Henan Province.

Mr. Li obtained a Bachelor degree in Investment and Economics from Zhongnan University of Economics (中南財經大學), the PRC in July 1993. He is now pursuing an Executive Master of Business Administration (EMBA) degree at the School of Management of Xiamen University (廈門大學經濟管理學院), the PRC. Mr. Li obtained a qualification certificate as an intermediate speciality in financial economics from the Ministry of Personnel, the PRC in November 1998.

Mr. Zhou Weidong (周偉東先生) ("Mr. Zhou"), aged 35, is the financial controller in respect of the Group's business in Guangdong Province. He is primarily responsible for overseeing the finance and accounting matters in respect of business of the Group in Guangdong Province.

Mr. Zhou joined the Group in September 2012 as the finance deputy manager of GZ Sino Gas and was promoted as finance manager and then finance director of GZ Sino Gas in January 2014 and January 2017 respectively and he is responsible for the overall financial management and accounting matters of GZ Sino Gas.

Mr. Zhou obtained a Bachelor degree in Accountancy from Guangdong University of Finance (廣東金融學院), the PRC in July 2010. Mr. Zhou also passed the intermediate level PRC National Accountancy Qualification Examination (全國會計專業技術中級資格考試) in 2017.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Wong Pui Yin Peony (黃佩彥) ("Ms. Wong"), was appointed as the company secretary of the Company on 8 May 2020.

Ms. Wong is currently a senior manager of Corporate Services of Tricor Services Limited. Ms. Wong has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms Wong is currently the company secretary of Grand Baoxin Auto Group Limited (stock code: 1293), SinoMab BioScience Limited (stock code: 3681) and Channel Micron Holdings Company Limited (stock code: 2115), the shares of which are listed on the Stock Exchange. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. She holds a Bachelor of Commerce (Accounting and Finance) and a Master of Business Administration from the University of New South Wales.

REPORT OF THE DIRECTORS

The Board of the Company is pleased to present this report together with the consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company and its subsidiaries are mainly engaged in the provision of integrated LPG and natural gas services. The Company, together with its subsidiaries, operates LPG, CNG and LNG vehicle refuelling stations, CNG mother stations and LPG, CNG and LNG wholesale businesses. The Company primarily operates its business in the PRC.

An analysis of the principal activities of the Group during the year ended 31 December 2020 is set out in the section headed "Management Discussion and Analysis" in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's businesses and other relevant information, can be found in the section headed "Management Discussion and Analysis" as set out on pages 5 to 17 and the section headed "Chairman's Statement" as set out on pages 3 to 4 of this annual report. Such discussion forms part of this "Report of the Directors".

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed in the "Environmental, Social and Governance Report" on pages 47 to 61 of this annual report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

The shares of the Company were listed on the Stock Exchange by way of global offering of 54,000,000 ordinary shares on 28 December 2018 (the "**Listing Date**"). Details of movements in the share capital of the Company for the year ended 31 December 2020 and details of the shares issued during the year ended 31 December 2020 are set out in Note 27 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 13 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group. The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Further details are set out in the "Management Discussion and Analysis" section and in the "Environmental, Social and Governance Report" on pages 5 to 17 and pages 47 to 61 of this annual report respectively.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of our environmental, social and governance policies and performance during the year ended 31 December 2020 shall be disclosed in the "Environmental, Social and Governance Report" on pages 47 to 61 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "**Articles**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in Note 12 to the consolidated financial statements. There were no investment properties of the Group during the year ended 31 December 2020.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

Save as disclosed in "Share Option Scheme" as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2020.

DIVIDENDS

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

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year ended 31 December 2020 are set out in Note 27 to the consolidated financial statements.

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Cayman Islands Companies Law, amounted to approximately RMB167.0 million. The amount of approximately RMB167.0 million includes the Company's share premium account of approximately RMB173.4 million and accumulated losses of approximately RMB6.4 million in aggregate as at 31 December 2020, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers (including joint venture "Jiangmen Xinjiang Gas") accounted for 62.8% of the total sales for the year and sales to Jiangmen Xinjiang Gas, the largest customer included therein, amounted to 48.5%. Purchases from the Group's five largest suppliers accounted for 69.3% of the total purchases for the year and purchase from the largest supplier included therein amounted to 22.7%. Save as disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 502 employees (2019: 602, including the staff in our joint ventures, Jiangmen Xinjiang Gas). The number of employees employed by the Group varies from time to time depending on needs. Employees' remuneration is determined based on their responsibilities, qualifications, performance, experience and seniority. The remuneration policy and package of the Group's employees are periodically reviewed.

Compensation of key executives of the Group is reviewed by the Company's Remuneration Committee which is based on the Group's performance and the executives' respective contributions to the Group. The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below. The total remuneration cost incurred by the Group for the year ended 31 December 2020 was approximately RMB37.7 million.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 December 2020.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2020 are disclosed in Note 31 to the consolidated financial statements. Our Directors confirm that all related party transactions during the year ended 31 December 2020 were conducted on normal commercial terms that were reasonable and in the interest of the Group as a whole.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions which are subject to annual review and reporting requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions. Save as disclosed in below sections of this report, there were no other connected transactions or non-exempted continuing connected transactions under the Listing Rules as at the date of this report.

1. Supply of CNG by the Group

Zhengzhou Sino Gas and Zhengzhou City Public Transportation Head Company ("**Zhengzhou Public Transportation**") renewed a CNG supply agreement ("**CNG Supply Agreement**") on 31 December 2020, pursuant to which Zhengzhou Sino Gas (for itself and on behalf of other members of the Group) agreed to supply CNG to Zhengzhou Public Transportation, in consideration for the payment of gas charges to the Group.

Zhengzhou Sino Gas, one of our subsidiaries, was owned as to 38% by Zhengzhou Public Transportation. As such, Zhengzhou Public Transportation is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

CNG Supply Agreement is extended for three years from 1 January 2021 to 31 December 2023.

For details on the total consideration and terms of the above the continuing connected transactions, please refer to the announcements of the Company dated 31 December 2020 and 8 January 2021.

2. Wholesale of LPG by the Group

GD Petrochemical and Guangzhou City Jiahexing Development Company Limited ("**GZ Jiahexing Development**") renewed a LPG supply agreement ("**LPG Supply Agreement**") on 31 December 2020, pursuant to which GD Petrochemical (for itself and on behalf of other members of the Group) agreed to supply LPG to GZ Jiahexing Development, in consideration for the payment of gas charges to the Group.

Guangzhou Sino Gas Jiahexing Petrochemical Company Limited ("**GZ Jiahexing**"), one of our subsidiaries, was owned as to 49% by GZ Jiahexing Development. As such, GZ Jiahexing Development is a connected person of our Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

LPG Supply Agreement is extended for three years from 1 January 2021 to 31 December 2023.

For details on the total consideration and terms of the above the continuing connected transactions, please refer to the announcements of the Company dated 31 December 2020 and 8 January 2021.

The following table sets forth the respective annual caps and actual amounts for the continuing connected transactions of the Group for the year ended 31 December 2020:

Name of a Connected Person	Nature of the Transaction	Annual caps for the year ended 31 December 2020 (RMB million)	Actual amounts for the year ended 31 December 2020 (RMB million)
Zhengzhou Public Transportation	Supply of CNG by the Group	171.9	66.1
GZ Jiahexing Development	Wholesale of LPG by the Group	81.0	46.4

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with Rule 14A.56 of the Listing Rules.

Confirmation of independent Non-executive Directors ("**INEDs**"):

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2020 and confirmed such transactions have been:

(1) entered into in the ordinary and usual course of business of the Group;

(2) entered into on normal or better commercial terms; and

(3) conducted in accordance with the relevant agreement whose terms are fair and reasonable and in the interests of the shareholders as a whole.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Grant of site usage right to the Group

Zhengzhou Public Transportation and Zhengzhou Sino Gas renewed a licensing agreement ("**Licensing Agreement**") at 31 December 2020, pursuant to which Zhengzhou Public Transportation, as grantor, agreed to grant the site usage right of the Relevant Sites to Zhengzhou Sino Gas, in consideration for the payment of an annual license fee, payable by an annual amortisation of the prepaid license fee.

Zhengzhou Sino Gas, one of our subsidiaries, was owned as to 38% by Zhengzhou Public Transportation. As such, Zhengzhou Public Transportation is a connected person of our Company at the subsidiary level pursuant to Rule 14A of the Listing Rules.

The period of Licensing Agreement is extended for three years from 1 January 2021 to 31 December 2023. (renewable upon the sole discretion of Zhengzhou Sino Gas up to 14 January 2025, i.e. the expiry of the 20-year period under the joint venture agreement)

Therefore, the continuing connected transactions under the Licensing Agreement constitute de minimis transactions under Rule 14A.76(1) of the Listing Rules and are therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements. For details on the above the continuing connected transactions, please refer to "Exempted Continuing Connected Transactions" in the section headed "Connected Transactions" to the Prospectus.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors:

Mr. Ji Guang *(Chairman)*
Ms. Ji Ling *(Vice-Chairman and Chief Executive Officer)*
Ms. Cui Meijian
Mr. Zhou Feng

Independent Non-executive Directors:

Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng

Biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 18 to 22 of this annual report.

In accordance with Article 105(A) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation. In accordance with Article 109 of the Articles, any director appointed by the Board to fill a casual vacancy during the year shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Accordingly, Dr. Zheng Jian Peng, Mr. Zhou Feng and Ms. Cui Meijian will retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this report, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. During the year, the Company has taken out the appropriate directors' and officers' liability insurance.

DIRECTORS' SERVICE CONTRACT

None of the Directors has a service contract with the Company and/or any of its subsidiaries, which is not terminable by employing company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group in 2020 are set out in Notes 9 and 10 to the consolidated financial statements of this annual report.

For the year ended 31 December 2020, no emoluments (2019: Nil) were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the directors waived or agreed to waive any of the emoluments.

For the year ended 31 December 2020, no emoluments (2019: Nil) were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, and no arrangement under which any of the highest paid individuals waived or agreed to waive any of the emoluments.

RETIREMENT BENEFITS PLANS

Details of retirement benefits plans of the Group as at 31 December 2020 are set out in Note 6(b) to the consolidated financial statements of this annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the "Continuing Connected Transactions" as set out in this report and the related party transactions disclosed in Note 31 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 31 December 2020.

COMPETING BUSINESS

During the year ended 31 December 2020, none of the Directors or the Controlling Shareholders and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

DEED OF NON-COMPETITION

Mr. Ji Guang, Petrochemical Gas Group Limited ("**VISTA Co**"), Sino Gas Holdings Group Limited ("**Sino Gas BVI**"), China Full Limited ("**China Full**"), Petrochemical Gas Energy Group Limited ("**PCG Employee BVI**") and Petrochemical Gas Energy Limited ("**PCG BVI**"), each being a controlling shareholder (as defined under the Listing Rules) of the Company, have entered into a deed of non-competition dated 22 November 2018 in favour of the Company (the "**Deed of Non-Competition**"). Details of the Deed of Non-Competition was set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity associated with him has or had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2020.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" below, at no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules:

Name of Director	**Capacity/nature of interest**	**Number of ordinary shares held** (Note 1)	**Approximate percentage of shareholding (%)** (Note 2)
Mr. Ji Guang ("**Mr. Ji**")	Founder of a discretionary trust, interest in controlled corporations (Note 3)	162,000,000 shares (L)	75%

Notes:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 31 December 2020.

3. These interests comprise 121,500,000 shares held by China Full, 24,300,000 shares held by PCG Employee BVI and 16,200,000 shares held by PCG BVI.

   China Full is wholly owned by Sino Gas BVI, a wholly-owned subsidiary of VISTA Co., which is wholly owned by UBS Trustees (BVI) Limited ("**UBS Trustees**") through UBS Nominees Limited.

   UBS Trustees acts as the trustee of J&Y Family Trust which is a discretionary trust established by Mr. Ji (as founder and protector) and under the relevant deed which constitutes the J&Y Family Trust, the trustee shall only add or remove discretionary objects of J&Y Family Trust with the consent of the protector. The discretionary objects of J&Y Family Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling who is an executive Director. By virtue of the SFO, Mr. Ji, is deemed to be interested in the same parcel of shares held by China Full.

   Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in the both parcels of shares held by PCG Employee BVI and PCG BVI.

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	**Capacity/nature of interest**	**Number of ordinary shares held** (Note 1)	**Approximate percentage of shareholding (%)** (Note 2)
UBS Trustees	Trustee of a trust	121,500,000 shares (L)	56.25%
UBS Nominees Limited	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
VISTA Co	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
Sino Gas BVI	Interest of controlled corporation (Note 3)	121,500,000 shares (L)	56.25%
China Full	Beneficial Owner	121,500,000 shares (L)	56.25%
PCG Employee BVI	Beneficial Owner	24,300,000 shares (L)	11.25%
PCG BVI	Beneficial Owner	16,200,000 shares (L)	7.50%
Yang Ling	Interest of Spouse (Note 4)	162,000,000 shares (L)	75%

Notes:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 31 December 2020.

3. UBS Trustees, the trustee of J&Y Family Trust, in its capacity as trustee (through UBS Nominees Limited, its wholly-owned subsidiary) holds the entire issued share capital of VISTA Co, which in turn indirectly owns the entire equity interest of China Full through Sino Gas BVI, all of which are indirectly wholly owned by UBS Trustees in its capacity as trustee. J&Y Family Trust a discretionary trust established by Mr. Ji and the discretionary objects of the Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling. By virtue of the SFO, UBS Trustees, UBS Nominees Limited, VISTA Co and Sino Gas BVI are deemed to be interested in the same parcel of shares held by China Full.

   Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji.

4. Ms. Yang Ling is the spouse of Mr. Ji. Therefore, Ms. Yang Ling is deemed to be interested in the shares in which Mr. Ji is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") has been conditionally adopted on 22 November 2018.

Purpose

To enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

Who may join

Our Directors may at any time within a period of ten years commencing from the date of adoption of the Share Option Scheme, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants ("**Eligible Participant**"), to take up options to subscribe for Shares:

(i) any employee ("**Eligible Employee**") (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity ("**Invested Entity**") in which any member of our Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

Maximum number of shares available for issue under the scheme	(i) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time. (ii) The total number of the shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the Listing Date (such 10% being 21,600,000 shares).
Maximum entitlement of each participant	The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being.
Period within which the securities must be taken up under an option	An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.
Performance targets	Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.
Subscription price for the shares and consideration for the option	The subscription price for the shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.
Period of the Share Option Scheme	The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

No options had been granted or agreed to be granted under the Share Option Scheme during the year and up to the date of this report. The Company did not have any outstanding share options, warrants and instruments convertible into shares as at 31 December 2020 and up to the date of this report.

REPORT OF THE DIRECTORS

MATERIAL LITIGATION

Save as disclosed in Note 30 to the consolidated financial statements, the Group was not involved in any other material litigation or arbitration during the year ended 31 December 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this annual report.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 28 December 2018 and the net proceeds from the global offering were approximately HK$120.3 million. On 27 February 2020, the Board resolved to change the proposed use of proceeds from that originally set out in the Prospectus for the global offering. Details of which are set out in the announcement of the Company dated 27 February 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITORS

The Company has appointed KPMG as auditors of the Company for the year ended 31 December 2020. A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of KPMG as the independent auditor of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 33 to the consolidated financial statements in this report, there has been no significant event that affected the Group after 31 December 2020 and up to the date of this report.

By Order of the Board

Mr. Ji Guang
Chairman and Executive Director
Hong Kong, 30 March 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present its corporate governance report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of corporate governance in the management structures and internal control of our Group in order to achieve accountability and are committed to maintaining good corporate governance standards. The Company has applied the principles stated in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules.

The Board believes that good corporate governance standards are essential in maintaining a balanced composition of executive Directors and independent non-executive Directors for the Board to exercise independent judgment effectively and providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1 as explained below.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the year ended 31 December 2020.

The Company has also adopted the Securities Dealing Code as the written guidelines (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of four executive Directors and three independent non-executive Directors.

The composition of the Board comprises the following Directors:

Executive Directors

Mr. Ji Guang *(Chairman)*
Ms. Ji Ling *(Vice-Chairman and Chief Executive Officer)*
Ms. Cui Meijian
Mr. Zhou Feng

Independent Non-executive Directors

Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng

The biographical details of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 18 to 22 of this annual report.

Mr. Ji Guang is the father of Ms. Ji Ling. Save as disclosed, none of the members of the Board are related to one another.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ji Guang is the Chairman and Chief Executive Officer of the Company during the year 2020.

Mr. Ji, one of the founders of the Company, was primarily responsible for planning our business and marketing strategies, supervising the overall operations of our Group, and overseeing the daily management of our businesses. During the year 2020, as Mr. Ji had been leading the Group as the Chief Executive Officer and actively involved in the core business of the Group, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to have Mr. Ji acting as the Chief Executive Officer and Chairman for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board which comprises executive Directors and three independent non-executive Directors. Major decisions were made by the Board after discussions and deliberations among Directors, including the independent non-executive Directors who will bring independent judgment during the decision-making process. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

In order to further enhance the corporate governance standard of the Group and comply with code provision A.2.1, Mr. Ji has stepped down from his role as the Chief Executive Officer of the Group with effect from 8 January 2021 and remained as an executive Director and the Chairman of the Company and Ms. Ji Ling, an executive Director and Vice Chairman, has been appointed as the Chief Executive Officer of the Group on the same day.

Independent Non-executive Directors

During the year ended 31 December 2020, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from 1 December 2018.

Appointment and Re-election of Directors

The independent non-executive Directors are appointed for a specific term of three years, subject to renewal after the expiry of the then current term. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Company's Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles also provides that any Director appointed by Board, either to fill a casual vacancy or as an additional Director, shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board as the primary decision-making body of the Company should assume responsibility for leadership and control of the Company; and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The executive Directors oversee the daily operations of the Company, while our independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against the Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2020, the Company organized internal training meetings on directors' duties and responsibilities for all Directors. The training meetings covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual and legal and regulatory updates have been provided to the Directors for their reference and studying.

The records of the continuous professional development that have been received by the Directors for the year ended 31 December 2020 and up to the date of this report are summarized as follows:

Name of Directors	**Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops**	**Reading relevant news alerts, newspapers, journals, magazines and relevant publications**
Executive Directors		
Mr. Ji Guang	✓	✓
Ms. Ji Ling	✓	✓
Ms. Cui Meijian	✓	✓
Mr. Zhou Feng	✓	✓
Independent Non-executive Directors		
Mr. Sheng Yuhong	✓	✓
Mr. Wang Zhonghua	✓	✓
Dr. Zheng Jian Peng	✓	✓

Board Meetings

Pursuant to code provisions of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. Agendas and accompanying papers shall be sent not less than 3 days before the date of Board meeting to ensure that the Directors are given sufficient time to review the documents.

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies, approval of business plans, evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

Apart from regular Board meetings, the Chairman also held meetings with independent non-executive Directors without the presence of other Directors during the year in compliance with code provision A.2.7 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Dr. Zheng Jian Peng *(Chairman of the Audit Committee)*, Mr. Sheng Yuhong and Mr. Wang Zhonghua.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include (i) assisting the Board in reviewing the financial information and reporting process; (ii) overseeing the risk management and internal control systems; (iii) evaluating the effectiveness of the internal audit function, scope of audit and appointment and dismissal of external auditors; and (iv) making arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review, among other things, in respect of the year ended 31 December 2020, the interim and annual financial results and reports and significant issues on the financial reporting and the Group's accounting policies and practices, Listing Rules and statutory compliance, risk management and internal control systems, appointment of external auditors and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Wang Zhonghua *(Chairman of the Remuneration Committee)*, Mr. Sheng Yuhong and Dr. Zheng Jian Peng.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include (i) reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and (ii) establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his/her own remuneration.

The Remuneration Committee met once during the year to review the Company's policy and structure for the remuneration of all Directors and senior management, assess the performance of the executive Directors and the senior management, review the remuneration package of the executive Directors and the senior management and make recommendation to the Board on their remuneration.

Details of the remuneration of each of the Directors are set out in the Note 9 to the consolidated financial statements for the year ended 31 December 2020. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2020 is set out below:

Remuneration by band (RMB)	**Number of Individual**
Nil–1,000,000	2

Nomination Committee

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Sheng Yuhong *(Chairman of Nomination Committee)*, Mr. Wang Zhonghua and Dr. Zheng Jian Peng.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include (i) reviewing the Board composition; (ii) developing and formulating relevant procedures for the nomination and appointment of Directors; (iii) making recommendations to the Board on the appointment or re-appointment of Directors; (iv) planning the succession of Directors; and (v) assessing the independence of the independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, before making recommendation to the Board.

The Nomination Committee met once to review the size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors.

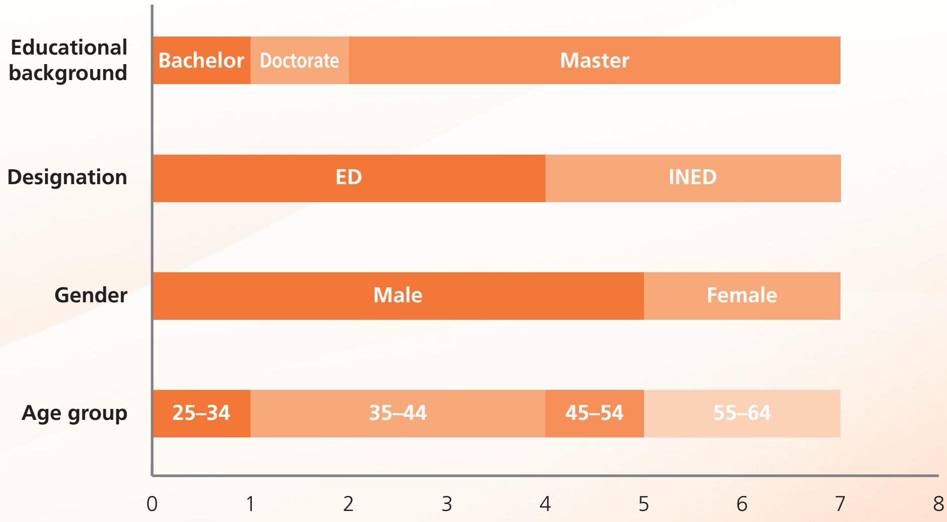
Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Board believes that a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity).

The Nomination Committee will discuss and agree on the measurable objectives for achieving diversity of the Board and recommend them to the Board for adoption. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision will be based on merits and the contribution that the selected candidates will bring to the Board and the business needs of the Company from time to time. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this report, the Board's composition under diversified perspectives was summarized as follows:



DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and honesty: The candidate should be persons of integrity, honesty and good reputation;
- Diversity in aspects: including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of service and diversity aspects under the Board Diversity Policy that are relevant to the business and corporate strategies of the Company;
- Availability: The candidate should have sufficient time for the proper discharge of the duties of a Director, including devoting adequate time for the preparation and participation in meetings, training and other Board or Company associated activities;
- Independence: Requirement for the Board to have independent directors in accordance with the Listing Rules (as amended from time to time) and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- Other relevant factors considered by Nomination Committee on a case-by-case basis.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board and Board Committee meetings and the annual general meetings of the Company held during the year is set out in the table below:

	Number of Meetings Attended/Number of Meetings held for the year				
Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Ji Guang	7/7	N/A	N/A	N/A	1/1
Ms. Ji Ling	7/7	N/A	N/A	N/A	1/1
Ms. Cui Meijian	7/7	N/A	N/A	N/A	1/1
Mr. Zhou Feng	7/7	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Sheng Yuhong	7/7	3/3	1/1	1/1	1/1
Mr. Wang Zhonghua	7/7	3/3	1/1	1/1	1/1
Dr. Zheng Jian Peng	7/7	3/3	1/1	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks and is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. The Board oversees and manages the overall risks associated with the Group's operations while the Audit Committee reviews and supervises the financial reporting process and internal control system of the Group.

The Company has established a Risk Management and Internal Control Leading Group to review the effectiveness of the Group's internal control systems, policies and procedures, and to report its findings and recommendations to the Audit Committee. The Risk Management and Internal Control Leading Group is responsible for the identification of the Group's business and various areas (including major operational and financial procedures, regulatory compliance, information security) pose risks of potential impact, develop action plans and make recommendations to address identified risks, and submit annual reports on the Group's internal control environment to the Audit Committee. The Group also conducts self-evaluation each year to confirm proper compliance with the control policy.

The Risk Management and Internal Control Leading Group has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Board, as supported by the Audit Committee as well as Risk Management and Internal Control Leading Group, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems were effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DEED OF NON-COMPETITION

The Company has complied with and enforced the terms of the Deed of Non-Competition. Details of the Deed of Non-Competition was set out in the "Report of the Directors" of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 62 to 67.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	**Fees** RMB'000
Audit services	1,390
Non-audit services	Nil
Total	1,390

COMPANY SECRETARY

Ms. Cheng Mei Chun resigned and Mr. Wong Pui Yin Peony was appointed as the Company's company secretary on 8 May 2020. Ms. Wong is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Ji Ling, an executive Director, has been designated as the primary contact person at the Company which would work and communicate with Ms. Wong on the Company's corporate governance and company secretarial matters.

For the year ended 31 December 2020, Ms. Wong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Company's Articles, extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders should follow the requirements and procedures as set out in the Company's Articles and "Shareholders Rights Summary" published on the Company's website, for convening a general meeting.

Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall lodge a written notice of his/her/its proposal with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in China, with a copy of the proposal served to the Company's Hong Kong branch share registrar and transfer office.

The request will be verified with the Company's Hong Kong branch share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

Shareholders should follow the requirements and procedures as set out in the Company's Articles of Association and "Shareholders Rights Summary" published on the Company's website, for circulating a resolution for general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3103, Block A1 Caifu Shiji Square 13 Haian Road, Tianhe District Guangzhou, the PRC
Attention:	the Board of Directors/Company Secretary

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies.

The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

In addition, to promote effective communication, the Company maintains a website at www.sinogasholdings.com, where information released by the Company on the Stock Exchange's website and all press releases issued by the Company are also available for public access.

Policies Relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Shareholders' Communication Policy and Procedures for Shareholders to Propose a Person for Election as Director are available on the website of the Company.

CONSTITUTION DOCUMENT

During the year, the Company has not made any changes to the Company's Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, retained earnings and distributable reserves, the general economic and political conditions and other internal or external factors that may have an impact on the future business and financial performance of the Group, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 APPROACH

The Group is committed to providing integrated LPG and natural gas services. The Group operates LPG, CNG and LNG vehicle refuelling stations, LPG domestic stations, CNG mother stations and LPG, CNG and LNG wholesale businesses. The Group primarily operates its business in the PRC market and aims to further build up complete industry chain and focus on the sustainable development on LPG and natural gas industry in the PRC market.

The Group recognizes its responsibilities and accountability to all its stakeholders, including customers, existing shareholders and potential investors, employees, suppliers, non-governmental organizations (NGOs) and local community.

The Group places a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, the Group is committed to continuously monitoring the risks and opportunities which exist in its daily operations. Meanwhile, the Group adopts transparent corporate culture to ensure that its sustainability strategies are well communicated to its employees, customers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability

2. To respect human rights and social culture

3. To engage with stakeholders

4. To support its employees

5. To sustain local communities

This report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the PRC from 1 January 2020 to 31 December 2020 (the "**year**"), unless otherwise stated.

2 SCOPE OF THE REPORT

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" in Appendix 27 of the Listing Rules. The report summarizes the Group's major ESG performance in the year, and covers its management policies, mechanisms and measures in place with respect to environmental protection, emission reduction, safe workplace, supply chain management, etc.

When deciding the operational boundaries of its ESG report, the Group considers entities with yearly total revenue of RMB5 million or above as its material operating entities, having material ESG risks, and should be included in the ESG report. And thus, this ESG report has been prepared to cover the ESG performance of the Group's 11 entities (the "**Reporting Entities**") with yearly total revenue of RMB5 million or above during the year which are:

— Guangzhou Sino Gas Logistics Company Limited ("廣州中油潔能物流有限公司")

— Henan Sino Gas Yonghui Natural Gas Company Limited ("河南中油潔能永輝天然氣有限公司")

— Xinzheng Yonghui Natural Gas Company Limited ("新鄭永輝天然氣有限公司")

— Henan Sino Gas Sales and Transportation Company Limited ("河南中油潔能銷售運輸有限公司")

— Guangzhou Sino Gas Fuel Chain Company Limited ("廣州中油潔能燃氣連鎖有限公司")

— Zhengzhou Sino Gas Bus Fuel Company Limited ("鄭州中油潔能巴士燃氣有限公司")

— Guangdong Sino Gas Petrochemical Company Limited ("廣東中油潔能石化有限公司")

— Guangzhou Sino Gas New Energy Company Limited ("廣州中油潔能新能源有限公司")

— Sino Gas (Zhuhai) Limited ("中油潔能(珠海)石化有限公司")

— Henan Blue Sky Sino Gas Technology Company Limited ("河南藍天中油潔能科技有限公司")

— Hebei Sino Gas New Energy Technology Company Limited ("河北中油潔能新能源科技有限公司")

The data and information used in this report are referenced from the archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group's audited annual financial statements for the year ended 31 December 2020.

3 FEEDBACK

For details of the ESG performance, corporate governance as well as financial performance, please visit the website at www.sinogasholdings.com and the annual reports. The Group treasure the feedback and comments on its sustainability performance, please send the feedback and enquiries to: investmentdep@sinogasholdings.com.

4 BACKGROUND

The Company was listed on the Main Board of the Stock Exchange in 2018 with the stock code of 1759. The Group is principally engaged in providing integrated LPG and natural gas services through mainly operation in number of vehicular refuelling stations in Guangdong Province, Henan Province and Hebei Province of the PRC. By accumulating several years industry experiences and maintaining complete industry chain, it has strong presence in the LPG vehicular refuelling market in Guangdong Province and CNG vehicular refuelling market in Henan Province of the PRC market.

5 VISION

To maintain the leading position in the industry and provide high quality integrated LPG and natural gas services in Guangdong Province, Henan Province and Hebei Province of the PRC.

6 COMMUNICATION WITH STAKEHOLDERS AND IDENTIFICATION OF MATERIAL ISSUES

The Company actively strives to better understand its stakeholders and engage them to ensure continuous improvements. The management strongly believes that its stakeholders play a crucial role in sustaining the success of the business in the challenging market.

Stakeholders	Probable issues of concern	Communication and responses
HKEX	Compliance with Listing Rules, timely and accurate announcements.	Meetings, training, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule, stable demand.	Site visits.
Shareholders/Investors	Corporate governance system, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

The table underneath showed the aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group
(A) Environmental	
A1 Emissions	Emission from town gas, electricity or vehicle
A2 Use of Resources	Use of energy and paper
A3 Environment and Natural Resources	
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Health and Safety	Workplace health and safety
B3 Development and Training	Employee development and training
B4 Labour Standards	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management
B6 Product Responsibility	Product responsibility
B7 Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
B8 Community Investment	Community programs, employee volunteering and donation

A. ENVIRONMENTAL

The Group understands the high importance of environmental protection, in respect of which it promises not to sacrifice the environment in exchange of the business. In this respect, the management of the Group strongly believes that a healthy environment constitutes the foundation of the Group's sustainable development. It aims at maintaining sustainable development and building a green community with its stakeholders. Thus, the Group will strive to integrate environmental sustainability into the business operations through various measures so as to reduce carbon emission level and the relevant intensity in its daily operations.

During the year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will stay alert to any non-compliance behavior relating to critical environmental problems.

A1.1. Emissions Data from Gaseous Fuel Consumption

Environmental protection is always a top priority for the Group, it strives to reduce emissions in protecting the environment. In taking the emission data in to consideration, including both the air emissions and greenhouse gas emissions, the data is a measurement for understanding the impacts of the business behaviors on the environment, which provides guidance for the Group to take meaningful actions in the future.

(a) Since the Company did not have town fuel and town gas consumption during the year, therefore no emissions data from gaseous fuel consumption applied.

(b) the Company owned some motor vehicles during the year, the emissions data from the vehicles is set out below:

Key performance indicator ("KPI")

	2020	2019	Unit	% increase/ (decrease)
Nitrogen Oxides ("**NOx**")	10,189.3	8,501.4	Kg	20%
Sulphur Oxides ("**SOx**")	11.7	10.3	Kg	14%
Particulate Matter ("**PM**")	736.5	618.3	Kg	19%
Total	**10,937.5**	**9,130.0**	**Kg**	**20%**

When considering the air emissions intensity, the Group has recorded approximately 24.8 kg (2019:19.8 kg) of air emission per employee.

Looking forward, the Group will continue to improve the efficiency of usage of vehicles by better planning of the travelling routes, so as to better control its air emissions.

A1.2. Greenhouse Gas Emission

Greenhouse gas emissions are the main factors contributing to global warming, leading to climate changes and threatening the ecosystem of the world. To continuously fulfill the duties as an enterprise with corporate social responsibility, the Group embraces in driving green practices in day-to-day operations so as to reduce greenhouse gas emissions in the business operations.

	KPI			
	2020	**2019**	**Unit**	**% increase/ (decrease)**
Scope 1				
Direct Emission	1,634.4	2,961.8	tonnes	(45%)
Scope 2				
Indirect Emission	8,867.0	10,607.4	tonnes	(16%)
Scope 3				
Other indirect Emission	16.1	10.5	tonnes	53%
Total	**10,517.5**	**13,579.7**	**tonnes**	**(23%)**

During the year, there was 10,517.5 (2019: 13,579.7) tonnes of carbon dioxide equivalent greenhouse gases (mainly the usage of vehicles for transportation of petrol and gasoline) emitted from the Group's operation.

When considering the greenhouse gas emissions intensity, the Group recorded approximately 23.9 (2019:29.5) tonnes of greenhouse gas emissions per employee during the year.

The Group has made continuous efforts to reduce greenhouse gas emissions. With the emissions from electricity consumption being the major composition of its greenhouse gas emissions, the Group encourages employees to treasure the resources, including electricity and water resources. For energy saving purpose, the lightings are switched off during lunchtime. Besides, reminders of electricity and water saving are posted in the reporting entities.

Lightings switched off during lunchtime

Water saving reminders were in place to encourage water saving

Compliance with relevant laws and regulations:

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes of the Group during the year. In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported in the year.

A1.3 Hazardous Waste and Non-hazardous Waste

Hazardous Waste

The business operations of the Group produced no hazardous waste, including chemical wastes, clinical wastes and hazardous chemicals, during the year.

Non-hazardous Waste

The major non-hazardous waste produced by the Group was the paper waste during the year. It amounted to approximately 1,742.5 (2019: 683.0) kg, which means an average of 4.0 (2019:1.5) kg of paper waste was produced per employee. In this regard, the Group strives to create a paperless working environment by reducing the use of paper-printing. The Group constantly encourages its employees to print on double sided and reuse single sided used printed paper by placing reminders. By the efforts to reduce and reuse paper in the workplace, the Group is confident to reduce its paper wastage in the coming years.

A2.1 Use of resource

The Group aims to become an environmentally sustainable enterprise contributing to environmental protection by conservation of energy and the natural resources.

Energy Consumption

The total energy consumption during the year was approximately 9,873.2 MWh (2019: 13,427.1 MWh). The electricity consumption intensity, which is calculated by dividing the electricity consumption by the total number of employees, was around 22.4 (2019: 29.1) MWh per employee. The electricity consumed by the Group was the major contributor to its greenhouse gas emissions during the year. In order to reduce the Group's carbon and energy footprints, the Group consistently insists on "no-light policy" during lunch time. Besides, the Group will continuously promote awareness of treasuring electricity on daily operations to its employees and strive to reduce electricity consumption in the coming years.

Water Consumption

Water resources have always been one of the most invaluable natural resources on the Earth. For the Group's operation during the year, water consumed by the Group amounted to approximately 7,584.6 (2019:10,520.0) tonnes. The Group's water consumption intensity, which is calculated by dividing the water consumption by the total number of employees, was around 17.2 (2019: 22.8) tonnes per employee.

Paper Usage

Efficiency in usage of paper in daily operation has been advocated and communicated to employees. The Group consistently encourages double-sided printing and collecting single sided used printed paper for reusing purpose. The paper usage was approximately 1,742.5 kg during the year, and the Group is confident to lower the figure in the coming years.

Paper saving reminders were in place to encourage paper saving

The summary of the resources consumed are set out below:

	KPI 2020	2019	Unit	% increase/ (decrease)
Electricity consumed	**9,873.2**	13,427.1	MWh	(26%)
Water consumed	**7,584.6**	10,520.0	tonnes	(28%)
Paper usage	**1,742.5**	683.0	kg	155%

A3 Environmental and Natural Resources

As an environmentally sustainable enterprise, the Group believes that the invaluable and precious environment should not be sacrificed because of its own business activities. Therefore, the Group will continuously take efforts on environmentally friendly practice in various aspects.

There were no non-compliance cases noted in relation to environmental laws and regulations during the year.

B. SOCIAL

The Group believes that sustainable business success relies on the contribution and support of its talented employees. The Group treated its employees as the most valuable assets to the Group, especially the front-line employees of gas refuelling stations. All employees contribute their efforts to provide gas refuelling for the customers. The contributions of the employees promote the Group to achieve corporate goals and maintain sustainable development. This is the reason why the Group continues improving its friendly employment policies. The human resources policy and procedures, including recruitment, probation, termination, promotion, retirement, transfer, appraisal, working hours, salary, bonus, entitled leave and medical benefits, comply with the relevant legislation in PRC.

B1. Employment and Labour Practices

Employee Benefits

The Group appreciates the hard work and contributions of each employee. A comprehensive employee benefits package is therefore in return to offer to its dedicated and talented staff. The employee benefits are compensated fairly according to their performance, with reference to the market practice.

The Group performs annual staff performance appraisal to assess the performance of employees for the year-end bonus determination. In this regard, a transparent mechanism is conducted by taking into account various factors, including but not limited to the employees' attendance performance, capability, attitude, and contributions to the Group. With reference to appraisal on the employees, staff promotion and salary increment are rewarded to the contributing and improving employees.

In addition, the Group contributes to the employees' social insurance and housing funds with reference to the Labor Law of the PRC for its employees. Besides, high temperature subsidy is offered for the front-line employees of gas refuelling stations on several months within summer season annually.

Harmonious Workspace

A harmonious and inclusive working environment, free from any harassment and discrimination are promoted among the group. The Group consistently strive to build a harmonious and inclusive working environment. The Group respects equal dignity, providing equal opportunities for its employees. The Group also value working environments with polite towards employees and fully departmental coordination among the group.

Procedure of grievances has been set up in the Group. Problems or complaints related to work or the Group are welcome to discuss with a direct department head or top management of the Group. Relevant department head and top management will consider all complaints impartially and efficiently for problem-solving.

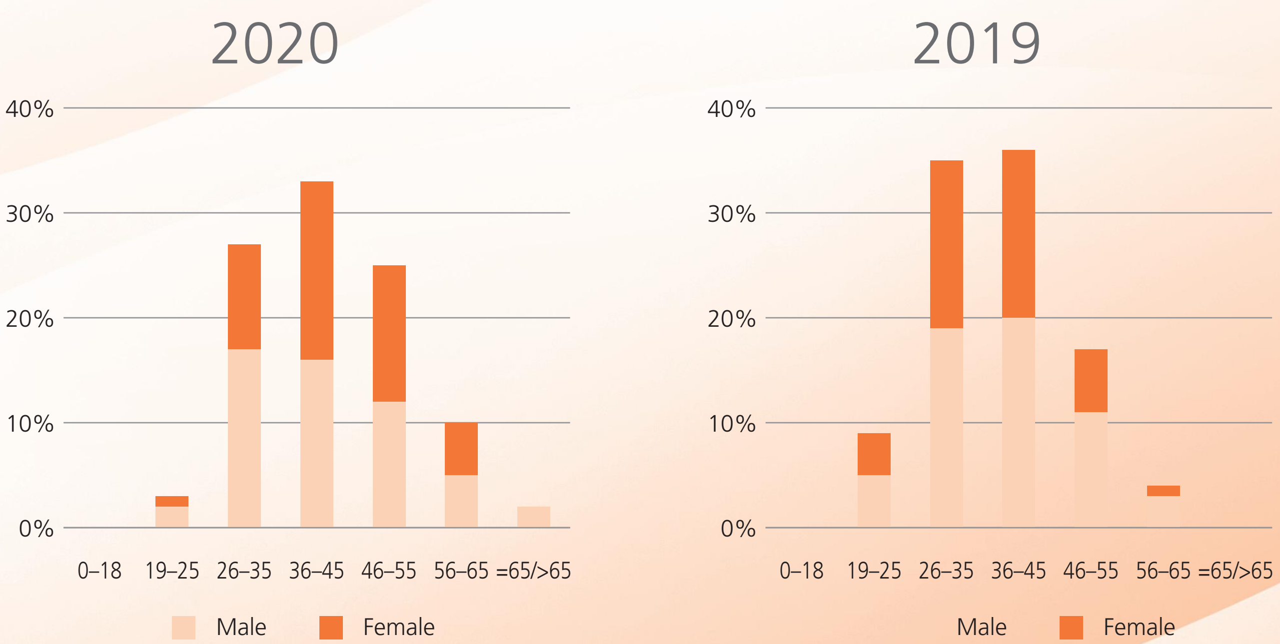
Work-life Balance of Employees

Taking a break is crucial for the Group to accomplish long-term goals. Thus, the Group encourages work-life balance for its employees, by providing them with annual leaves, and five-day work week with eight working hours per day. Overtime compensation would be offered to the dedicated employees. Employees are also entitled to special leaves to meet their families' needs, such as marriage leave, funeral leave and maternity leave, etc.

Staff Composition

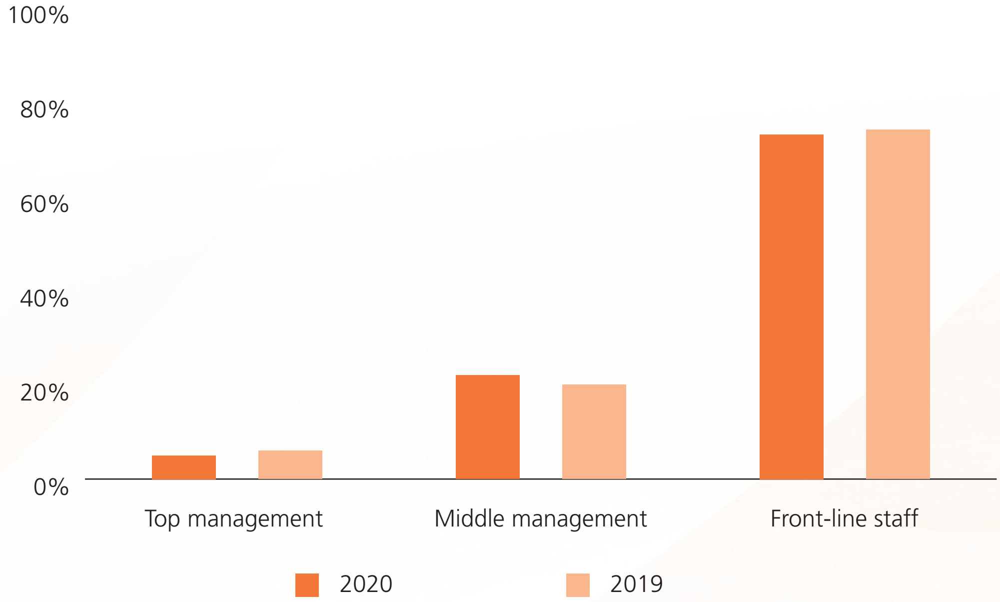
As at 31 December 2020, the Reporting Entities employed a total of 441 (2019: 461) staff. The employee composition by management level is more or less the same as other companies in the same industry, as more front-line employees are needed to provide gas refuelling service in stations. The Group believes that maintaining a diverse but inclusive workforce among its working environment is the key to maintain a sustainable and successful business in the future.

(a) *Employee' s Age and Gender Distribution*



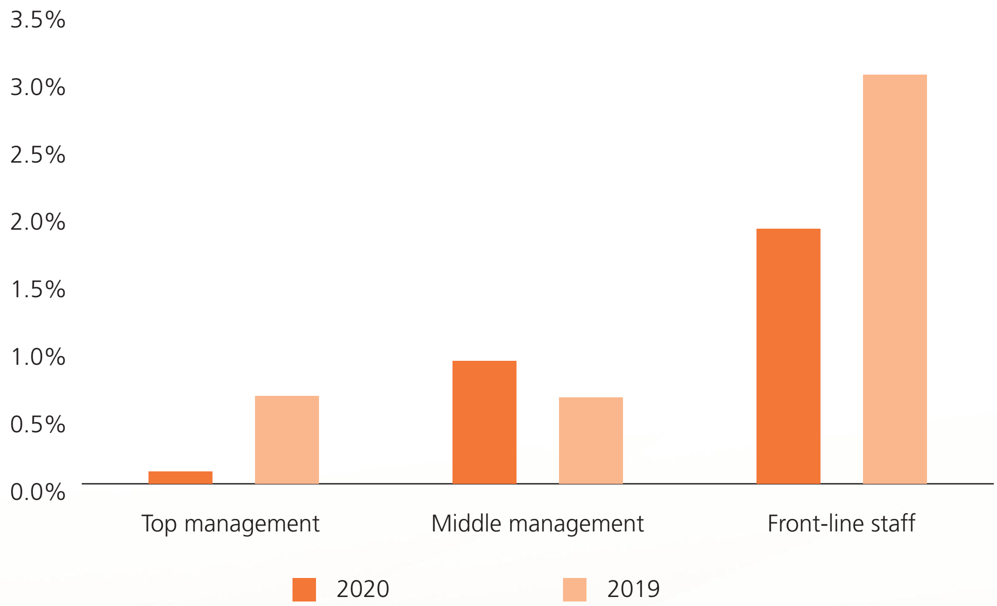
Age Group	2020 Male	2020 Female	2019 Male	2019 Female
0–18	**0%**	**0%**	0%	0%
19–25	**2%**	**1%**	5%	4%
26–35	**17%**	**10%**	19%	14%
36–45	**16%**	**17%**	20%	14%
46–55	**12%**	**13%**	11%	8%
56–65	**5%**	**5%**	3%	2%
= 65/>65	**2%**	**0%**	0%	0%
Total	**54%**	**46%**	58%	42%

(b) *Employee's Position Distribution*



Position	2020	2019
Top management	**5%**	6%
Middle management	**22%**	20%
Front-line staff	**73%**	74%
Total	**100%**	100%

(c) Monthly Average Turnover Rate by Position Level



Position	2020	2019
Top management	**0.09%**	0.65%
Middle management	**0.91%**	0.64%
Front-line staff	**1.89%**	3.03%
Total	**2.89%**	4.32%

During the year, the Group maintained an average monthly employee turnover rate of 2.89% (2019: 4.32%). The Group takes pride in the dedication and effort of all employees, who contribute to the success. In order to keep the employees' loyalty to the Group and maintain close relationship with the employees, the Group regularly held several team-building and gathering activities. With consistent efforts in strengthening the bond with talented employees, the Group is confident that it is able to retain the talent employees. Moreover, with 0.09% turnover rate of the top management, the Group is confident that the negative impact of employee turnover on the operations has been mitigated.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare on the Group during the year. In addition, no non-compliance with relevant laws and regulations that resulted in significant fines or sanctions had been reported during the year.

B2 Employee Health and Safety

The Group is committed to providing a safe working environment for its employees. The Group aims at not only to meet the minimum occupational health and safety standards required by law, but to exceed them. The safety policies and procedures are implemented among the Group, especially for the gas refuelling stations. Before new front-line employees perform their duties on gas stations, safety training and education are provided to them. Safety educations including safety operation guidance, safety discipline and general safety technics for the gas refuelling operation are also provided. Newly recruited front-line employees are required to attend exam organized by the Group regarding to the safety operation of the gas station. Only those employees who passed exam could perform their duties on gas station.

Besides, safety agent of the gas stations is required to perform safety check on gas refuelling equipment and relevant machinery so as to ensure safety operation on gas refuelling process. Safety rules and regulations are set for bad weather such as thunder and typhoon season. The Group strongly requires its front-line employees to strictly follow the guidance set on the bad weather so as to ensure a safe working environment. In addition, reminders and notices are posted on the gas stations to remind customers of the dangerous of inflammable gas. Also, the reminder of forbid firework and no phone call are warning its employees and customers when they are in gas stations.

The safety agents are responsible for ensuring that appropriate policies, procedures and safeguard measures are put in practice. The Group purchased medical insurances for its employees. The social insurance and housing provident fund are closely monitored and adjusted according to the headcounts. In light of these practices, no death or permanent disability case was noted during the year. No (2019:1) employee was injured at work in which the total labor hour lost due to injuries comprises of nil (2019:192) hours. The Group will constantly review its health and safety measures to be in place to best safeguard its employees' health.

The outbreak of the novel coronavirus (Covid-19), has become the latest challenge for the health authorities in Hong Kong and Mainland China, the Group has several policy to protect its staff:

— All public area would be disinfected on a timely basis;

— Provide mask and disinfection supplies to all front-line staff;

— Request all management to wear mask;

— Request all staff to perform body temperature test everyday;

— Request each staff to report their health status everyday; and

— Request each Department Head to monitor the health status of its staff on a timely basis.

During the year, the Group has had no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

B3 Development and Training

From time to time, there are internal trainings held to improve its employees' safety knowledge and technics, as well as to keep them reminded on their safety operations. During the year, the Group provided approximately 23.6 hours of training to each of 441 of the Reporting Entities's employees. The Group encourages its employees to continue to learn in order to promote their career growth and development with strong safety and technical capability in the LPG and natural gas industry.

Safety Training Seminar

Safe operation drill

B4 Labour Standard

The Group understands and therefore fully complies with the labor laws and relevant legislations that prohibit child and forced labor. The Group would not employ any person below the age of eighteen. Each applicant of the Group needs to present their identity documents during the recruiting process, so as to prevent the risk of recruiting child labor. In addition, the Group is committed to ensure that no employee is forced to work against his/her will, or work as forced labor. The Group strives to ensure equal dignity and respects for its employees. Any violence, with the purpose of deliberately causing difficulties, threats and/or corporal punishment, forcing employees to work is prohibited.

During the year, there was no material non-compliance issue with applicable laws and regulations in relation to labor standards.

B5 Supply Chain Management

The Group understands that providing high quality of LPG and natural gas is key to its corporate sustainable development and business success. The Group implements rigorous management of its suppliers. In this respect, a list of approved suppliers has been established and reviewed on a regular basis. The financial and operational background including the permits, qualifications and licenses obtained) of the suppliers, price level, and terms and conditions of supply are all taken into consideration.

As at 31 December 2020, the Reporting Entities have 103 major suppliers. The supplier assessment is performed annually. The assessment includes reviews on suppliers' business licenses, operation of LPG or natural gas licenses, timely on delivery of quality check on gas provided, etc. In addition, agreement regarding to business ethics is signed with our suppliers. In the light of this practice, suppliers are also encouraged to demonstrate their corporate social responsibilities by complying with corporate social responsibility codes as well as business ethics, in respect of operations, marketing activities and social contacts. High standards of morality which include prohibition of provision and acceptance of bribes and/or other unfair benefits are adopted by the Group.

In particular for LPG, in ensuring the quality of LPG purchased by the Group, the Group would perform checking on quality certificate on a regular basis so as to maintain the quality of LPG sold to its customer. For natural gas, the Group purchased directly from state-owned enterprise, which also provide confident on quality of natural gas to the customers.

The Group would continue to implement appropriate management on supply chain so as to maintain high quality of gas supply and to maintain sustainable development.

B6 Product Responsibility

The Group's business leading by its experienced management team is committed to providing high quality products to its customers, so as to enhance the Group's competitiveness and achieve mutual success between the Group and customers. For maintaining product quality, a regularly supply quality review and assessment are performed as mentioned above. Moreover, to ensure the service quality meets the safety requirements, regular training is provided to the relevant front-line employees who work at the gas stations for the job-related skills, knowledge and safety technics. Besides, for customers who are entitled to apply for a gas refuelling card of gas station, the Group is committed to protecting personal information of its customers. Employees are required to sign a non-disclosure agreement before they join the Group to ensure proper maintenance of confidentiality of the Group's business strategies and protect customers' data privacy in daily operation.

With the above measures, the Group successfully recorded no complaints regarding products and services during the year.

B7 Anti-corruption

The Group prohibits all forms of bribery and corruption. Employees should not solicit or accept any advantage in connection with his/her work without the permission of the Group. Advantages include both monetary and non-monetary benefits. It is the Group's rule that no director or employee may solicit or accept any advantage from any person who has existing or potential business dealings with the Group. Moreover, under no circumstances may a director or employee provide misleading and fraudulent financial data and falsify financial record.

Employees were able to report any suspicious activities through various channel, i.e. emails, written report, in person, to General Manager and Operating Manager. Immediate investigation would be taken by the Top Management. A Code of Conduct has been established and implemented to ensure that the directors and employees perform at the highest level of integrity, commitment and professionalism.

During the year, there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

B8 Community Investment

The Group advocates the concept of giving back to the community. The Group makes efforts on not only increasing its positive impacts on the environment and community, but also in creating a safe and equal working environment for its employees. Moreover, it emphasizes providing good quality of products and services for the interests of its customers. The Group believes that working as a responsible corporate is critical for giving back to the community. In the coming years, the Group will continue to invest efforts in the abovementioned aspects and maintaining the success of this year.

REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to emissions, employment, health and safety, labor standards, product responsibility and anti-corruption during the year.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Sino Gas Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sino Gas Holdings Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 68 to 139, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of the property, plant and equipment attributable to gas refuelling stations

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2(k)(ii).

The Key Audit Matter	How the matter was addressed in our audit
The Group's property, plant and equipment, with a total carrying amount of RMB214,635,000, are principally used in the operations of gas refuelling stations. In view of the fluctuation of the prices and sales volume of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") during the year ended 31 December 2020, management considered that there were indicators that the Group's property, plant and equipment attributable to gas refuelling stations may be impaired as at 31 December 2020. Management performs impairment assessments of the property, plant and equipment attributable to the Group's gas refuelling stations whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.	Our audit procedures to assess the potential impairment of the property, plant and equipment attributable to gas refuelling stations included the following: • assessing management's identification of indicators of potential impairment of the property, plant and equipment attributable to gas refuelling stations, the identification of the CGUs, the allocation of assets to each CGU, the use of the value in use model for determining the recoverable amounts and the methodology adopted in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group's gas refuelling station business and the requirements of the prevailing accounting standards; • assessing management's discounted cash flow forecasts for those CGUs where impairment indicators were noted by comparing the key assumptions adopted by management, in particular, forecast retail selling prices and purchase prices of LPG, CNG and LNG and forecast expenses, with our understanding, experience and knowledge of the Group's gas refuelling station business and the LPG, CNG and LNG industry in general;

KEY AUDIT MATTERS *(Continued)*

Assessment of the potential impairment of the property, plant and equipment attributable to gas refuelling stations

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2(k)(ii).

The Key Audit Matter	How the matter was addressed in our audit
Each gas refuelling station operated by the Group has been identified as a separate cash-generating unit ("**CGU**") for impairment assessment purpose. For those CGUs where an indicator of impairment was identified, management compares the carrying amounts of the property, plant and equipment allocated to each CGU with the respective recoverable amounts, which are estimated by calculating their value in use based on a discounted cash flow forecasts, to determine the amount of impairment loss, if any. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to the discounted cash flow forecasts and the assumptions adopted therein, including forecast retail selling prices and purchase prices of LPG, CNG and LNG, forecast expenses and the discount rates applied. We identified assessment of the potential impairment of the property, plant and equipment attributable to gas refuelling stations as a key audit matter because the impairment assessments involve the exercise of significant management judgement, particularly in forecasting retail selling prices and purchase prices of LPG, CNG and LNG, forecasting expenses and determining the appropriate discount rates, all of which could be subject to management bias in their selection.	• comparing the forecast retail selling prices and purchase prices of LPG, CNG and LNG with external market data; • comparing key financial data, including revenue, cost of sales and expenses, in the cash flow forecasts with the budgets approved by the board of directors; • comparing the actual results for the current year with management's estimates in their cash flow forecasts prepared in the previous year to assess the historical accuracy of the management's forecasting process; • assessing, with the assistance of our internal valuation specialists, whether the discount rates applied in the discounted cash flow forecasts were within the range of those adopted by other companies in the same industry; and • performing sensitivity analysis of the key assumptions adopted by management, including forecast retail selling prices and purchase prices of LPG, CNG and LNG, forecast expenses and the discount rates applied, to assess what changes thereto, either individually or collectively, would result in a different conclusion being reached and assessing whether there were any indicators of management bias in the selection of key assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Sau Yee Jenny.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in Renminbi ("**RMB**"))

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**1,284,358**	1,278,898
Cost of sales		**(1,182,054)**	(1,135,389)
Gross profit	4(b)	**102,304**	143,509
Other income	5	**24,323**	16,780
Staff costs	6(b)	**(37,662)**	(44,701)
Depreciation	6(c)	**(25,101)**	(21,519)
Operating lease charges	6(c)	**(2,040)**	(4,918)
Other operating expenses	7	**(35,333)**	(41,913)
Impairment loss on trade and other receivables	19, 28(a)	**(565)**	(997)
Profit from operations		**25,926**	46,241
Finance costs	6(a)	**(6,516)**	(13,244)
Share of (losses)/profits of joint ventures	15	**(1,099)**	253
Profit before taxation	6	**18,311**	33,250
Income tax	8	**(5,320)**	(12,763)
Profit for the year		**12,991**	20,487
Attributable to:			
Equity shareholders of the Company		**12,627**	22,045
Non-controlling interests	13	**364**	(1,558)
Profit for the year		**12,991**	20,487
Earnings per share (RMB)			
— Basic and diluted	11	**0.06**	0.10

The notes on pages 74 to 139 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in RMB)

	2020 RMB'000	2019 RMB'000
Profit for the year	**12,991**	20,487
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**(6,758)**	1,625
Total comprehensive income for the year	**6,233**	22,112
Attributable to:		
Equity shareholders of the Company	**5,869**	23,670
Non-controlling interests	**364**	(1,558)
Total comprehensive income for the year	**6,233**	22,112

The notes on pages 74 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	**214,635**	217,380
Interests in joint ventures	15	**16,868**	35,070
Financial assets measured at fair value through profit or loss	16	**3,350**	4,990
Financial assets measured at amortised cost	17	**70,000**	–
Deferred tax assets	26(b)	**8,505**	6,645
		313,358	264,085
Current assets			
Financial assets measured at fair value through profit or loss	16	**50,960**	–
Inventories	18	**3,231**	2,174
Trade receivables	19	**117,940**	107,166
Prepayments, deposits and other receivables	20	**67,120**	53,900
Income tax recoverable	26(a)	**4,834**	3,739
Cash at bank and on hand	21	**109,354**	166,315
		353,439	333,294
Current liabilities			
Bank loans	22	**196,597**	136,370
Trade payables	23	**1,546**	1,474
Accrued expenses and other payables	24	**42,834**	37,650
Lease liabilities	25	**7,301**	8,172
Financial liabilities measured at fair value through profit or loss	16	**2,958**	–
		251,236	183,666
Net current assets		**102,203**	149,628
Total assets less current liabilities		**415,561**	413,713

The notes on pages 74 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Financial liabilities measured at fair value through profit or loss	16	–	463
Lease liabilities	25	34,308	40,426
Deferred tax liabilities	26(b)	1,765	679
		36,073	41,568
NET ASSETS		379,488	372,145
CAPITAL AND RESERVES	27		
Share capital		1,892	1,892
Reserves		348,127	342,258
Total equity attributable to equity shareholders of the Company		350,019	344,150
Non-controlling interests	13	29,469	27,995
TOTAL EQUITY		379,488	372,145

Approved and authorised for issue by the board of directors on 30 March 2021.

Ji Guang
Chairman

Ji Ling
Director

The notes on pages 74 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 Note27(c)	Share premium RMB'000 Note27(d)(i)	Other reserve RMB'000 Note27(d)(ii)	Statutory reserve RMB'000 Note27(d)(iii)	Exchange reserve RMB'000 Note27(d)(iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	1,892	173,360	(11,970)	40,500	76	116,622	320,480	37,924	358,404
Changes in equity for 2019:									
Profit for the year	–	–	–	–	–	22,045	22,045	(1,558)	20,487
Other comprehensive income	–	–	–	–	1,625	–	1,625	–	1,625
Total comprehensive income	–	–	–	–	1,625	22,045	23,670	(1,558)	22,112
Disposal of subsidiaries	–	–	–	–	–	–	–	(8,371)	(8,371)
Appropriation to reserves	–	–	–	3,436	–	(3,436)	–	–	–
	–	–	–	3,436	–	(3,436)	–	(8,371)	(8,371)
Balance at 31 December 2019 and 1 January 2020	**1,892**	**173,360**	**(11,970)**	**43,936**	**1,701**	**135,231**	**344,150**	**27,995**	**372,145**
Changes in equity for 2020:									
Profit for the year	–	–	–	–	–	12,627	12,627	364	12,991
Other comprehensive income	–	–	–	–	(6,758)	–	(6,758)	–	(6,758)
Total comprehensive income	–	–	–	–	(6,758)	12,627	5,869	364	6,233
Capital injection by a non-controlling equity holder of a subsidiary	–	–	–	–	–	–	–	1,110	1,110
Appropriation to reserves	–	–	–	1,063	–	(1,063)	–	–	–
	–	–	–	1,063	–	(1,063)	–	1,110	1,110
Balance at 31 December 2020	**1,892**	**173,360**	**(11,970)**	**44,999**	**(5,057)**	**146,795**	**350,019**	**29,469**	**379,488**

The notes on pages 74 to 139 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations	21(b)	**20,205**	36,884
Income tax paid	26(a)	**(8,945)**	(19,686)
Net cash generated from operating activities		**11,260**	17,198
Investing activities			
Payments for the purchase of property, plant and equipment		**(6,793)**	(21,113)
Proceeds from disposal of property, plant and equipment		**5,486**	1,199
Net cash inflow on disposal of subsidiaries		**–**	3,319
Net increase in financial assets measured at fair value through profit or loss		**(48,375)**	–
Payments for acquisition of control over a joint venture, net of cash acquired	14	**(1,033)**	–
Proceeds from disposal of an equity investment		**14,080**	350
Interest received		**1,720**	2,041
Dividends received from a joint venture		**–**	3,000
Loan to a third party	20(i)	**(10,000)**	–
Increase in certificates of deposit with maturities over one year	17	**(70,000)**	–
Net cash used in investing activities		**(114,915)**	(11,204)
Financing activities			
Capital element of lease rentals paid	21(c)	**(7,537)**	(5,208)
Proceeds from new bank loans	21(c)	**196,597**	136,370
Repayments of bank loans	21(c)	**(136,370)**	(275,233)
Proceeds from capital injection by a non-controlling equity holder of a subsidiary		**1,110**	–
Proceeds from issuance of shares by initial public offering, net of share issuance expenses		**–**	113,827
Interest element of lease rentals paid	21(c)	**(2,246)**	(2,631)
Interest paid	21(c)	**(4,270)**	(10,613)
Increase in pledged and restricted bank deposits	21(a)(i)	**(38,340)**	–
Net cash generated from/(used in) financing activities		**8,944**	(43,488)
Net decrease in cash and cash equivalents		**(94,711)**	(37,494)
Cash and cash equivalents at the beginning of the year	21(a)	**151,605**	188,932
Effect of foreign exchange rate changes		**(590)**	167
Cash and cash equivalents at the end of the year	21(a)	**56,304**	151,605

The notes on pages 74 to 139 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Sino Gas Holdings Group Limited (the "**Company**") was incorporated in the Cayman Islands on 26 March 2018 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2018. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other investments in equity securities, derivative financial instruments and other financial assets and liabilities which are stated at their fair values (see Notes 2(f) and 2(g)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IFRS 3 have no impact on the results and financial position of the Group.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 12(c)). There is no impact on the opening balance of equity at 1 January 2020.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity interests in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL model to such long-term interests where applicable (see Note 2(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interests in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

In the Company's statement of financial position, investment in a joint venture is stated at cost less impairment losses (see Note 2(k)(ii)), unless classified as held for sale.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(iv)).

— fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value at profit or loss ("**FVPL**") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(t)(iii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
— Buildings and properties	10–50 years
— Refuelling equipment	3–22 years
— Motor vehicles and other equipment	3–15 years
— Right-of-use assets	2–50 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily land and buildings. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(t)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables); and

— contract assets as defined in IFRS 15 (see Note 2(m)); and

— lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments, contract assets and lease receivables *(Continued)*

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— interests in joint ventures; and

— investments in subsidiaries and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventories (see Note 2(l)(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventories, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(t).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(j)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(t)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(k)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs using the effective interest method. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions, contingent liabilities and onerous contracts *(Continued)*

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of LPG, CNG and LNG

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG.

Revenue of LPG, CNG and LNG is recognised when goods are delivered at gas refuelling stations operated by the Group or premises which are determined by customers which is taken to be the point in time when the Group transfers control over the products to the customers.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payment that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted equity investments is recognised when the equity holder's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss over the useful life of the related asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 28 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(k)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated changes on how such assets are to be deployed. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Expected credit losses for trade and other receivables

The credit loss allowances for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Disaggregation of revenue from contracts with customers by major products is as follows.

Revenue from contracts with customers within the scope of IFRS 15	**2020 RMB'000**	2019 RMB'000
Disaggregated by major products or services:		
— LPG	**1,027,463**	962,249
— CNG	**189,167**	276,273
— LNG	**58,011**	33,316
— Others	**9,717**	7,060
	1,284,358	1,278,898

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 4(b).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2020 and 2019 except for the sales to a joint venture as disclosed in Note 31(a). Details of concentration of credit risks of the Group are set out in Note 28(a).

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail: This segment principally generates revenue from the sale of LPG, CNG and LNG to vehicular end-users by operating gas refuelling stations, industrial customers and bottled LPG end-users.

- Wholesale: This segment principally generates revenue from the sale of LPG, CNG and LNG to gas merchants.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the cost of sales incurred by those segments. The measure used for reporting segment result is gross profit. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other income and expenses, such as staff costs, depreciation and amortisation, operation lease charges and other operation expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Retail		Wholesale		Total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Revenue recognised at a point in time from external customers and reportable segment revenue	**236,595**	373,382	**1,047,763**	905,516	**1,284,358**	1,278,898
Reportable segment gross profit	**83,760**	125,470	**18,544**	18,039	**102,304**	143,509

(ii) Reconciliation of reportable segment results to consolidated profit before taxation

	2020 RMB'000	2019 RMB'000
Total reportable segment gross profit	**102,304**	143,509
Other income	**24,323**	16,780
Staff costs	**(37,662)**	(44,701)
Depreciation	**(25,101)**	(21,519)
Operating lease charges	**(2,040)**	(4,918)
Other operating expenses	**(35,333)**	(41,913)
Impairment loss on trade and other receivables	**(565)**	(997)
Finance costs	**(6,516)**	(13,244)
Share of (losses)/profits of joint ventures	**(1,099)**	253
Consolidated profit before taxation	**18,311**	33,250

(iii) Geographic information

The Group's revenue is substantially generated from the sales of LPG, CNG and LNG in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Net gain on acquisition of control over a joint venture (Note 14)	**2,656**	–
Gain on disposal of subsidiaries	**–**	5,480
Gain on disposal of equity investments	**–**	4,080
Rental income from operating leases	**5,418**	3,394
Government grants (Note (i))	**7,741**	2,685
Interest income	**3,062**	2,041
Changes in fair value of financial assets and liabilities measured at fair value through profit and loss	**(1,550)**	1,177
Net gain/(loss) on disposal of property, plant and equipment	**255**	(780)
Net foreign exchange gain/(loss)	**6,078**	(1,980)
Others	**663**	683
	24,323	16,780

Note:

(i) Government grants represent incentive subsidies from various PRC government authorities. There are no conditions or future obligations attached to these subsidies.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2020 RMB'000	2019 RMB'000
Interest on bank loans (Note 21(c))	**4,270**	10,613
Interest on lease liabilities (Note 21(c))	**2,246**	2,631
	6,516	13,244

6 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs:

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**36,920**	41,849
Contributions to defined contribution retirement plans	**327**	2,852
Termination benefits	**415**	–
	37,662	44,701

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at certain percentages of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age. During the year ended 31 December 2020, the subsidiaries established in the PRC have been granted certain exemption on the contributions to defined contribution retirement plans by the local government authority as a result of the COVID-19 impact.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items:

	2020 RMB'000	2019 RMB'000
Depreciation charge (Note 12)		
— owned property, plant and equipment	**14,932**	12,235
— right-of-use assets	**10,169**	9,284
Operating lease charges relating to short-term leases	**2,040**	4,918
Auditors' remuneration — audit services	**1,390**	2,838
Impairment losses on property, plant and equipment (Note 12(b))	**5,286**	547
Cost of inventories (Note 18(b))	**1,182,054**	1,135,389

(Expressed in RMB unless otherwise indicated)

7 OTHER OPERATING EXPENSES

	2020 RMB'000	2019 RMB'000
Impairment losses on property, plant and equipment (Note 12(b))	**5,286**	547
Utilities expenses	**5,232**	8,916
Professional service fees	**4,339**	7,933
Maintenance expenses	**3,858**	5,480
Transportation expenses	**2,854**	2,300
Taxation other than income tax	**2,683**	2,801
Administrative expenses	**2,187**	4,244
Entertainment expenses	**1,590**	2,310
Others	**7,304**	7,382
	35,333	41,913

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax (Note 26(a))		
Provision for the year	**7,850**	12,975
Deferred tax (Note 26(b))		
Origination and reversal of temporary differences	**(2,530)**	(212)
	5,320	12,763

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**18,311**	33,250
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	**4,559**	8,167
Tax effect of share of losses/(profits) of joint ventures	**275**	(63)
Tax effect of non-deductible expenses	**340**	1,381
Tax effect of unused tax losses not recognised	**415**	2,709
Tax effect of the withholding tax in connection with the distribution from and the undistributed profits of a joint venture (Note (iv))	**(269)**	569
Actual tax expense	**5,320**	12,763

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: RMB Nil).

(iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the year ended 31 December 2020 (2019: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. The Group's Hong Kong subsidiaries are subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries and joint venture.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ji Guang ("**Mr. Ji**")	–	968	–	1	969
Ms. Ji Ling	–	258	37	1	296
Ms. Cui Meijian	–	283	115	1	399
Mr. Zhou Feng	–	260	73	1	334
Independent non-executive directors					
Mr. Sheng Yuhong	107	–	–	–	107
Mr. Wang Zhonghua	107	–	–	–	107
Dr. Zheng Jianpeng	107	–	–	–	107
	321	1,769	225	4	2,319

	2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Ji Guang	–	976	501	6	1,483
Ms. Ji Ling	–	258	58	6	322
Ms. Cui Meijian	–	284	138	6	428
Mr. Zhou Feng	–	259	50	6	315
Independent non-executive directors					
Mr. Sheng Yuhong	107	–	–	–	107
Mr. Wang Zhonghua	107	–	–	–	107
Dr. Zheng Jianpeng	107	–	–	–	107
	321	1,777	747	24	2,869

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2019: two) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other two (2019: three) individuals are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other emoluments	**484**	945
Discretionary bonuses	**360**	249
Retirement scheme contributions	**2**	24
	846	1,218

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2020 **Number of** **individuals**	2019 Number of individuals
Hong Kong dollars ("**HK$**") Nil to HK$1,000,000	**2**	3

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB12,627,000 (2019: RMB22,045,000) and the weighted average of 216,000,000 (2019: 216,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and properties RMB'000	Refuelling equipment RMB'000	Motor vehicles and other equipment RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:						
At 1 January 2019	50,342	91,737	73,793	55,296	73,066	344,234
Additions	–	365	2,007	14,224	8,169	24,765
Transfer in/(out)	1,283	14,696	–	(15,979)	–	–
Disposals	(70)	(2,930)	(1,776)	–	–	(4,776)
Disposal of subsidiaries	(1,589)	(3,683)	(12,690)	(124)	(2,293)	(20,379)
At 31 December 2019 and 1 January 2020	49,966	100,185	61,334	53,417	78,942	343,844
Acquisition of a subsidiary (Note 14)	5,613	6,637	369	–	10,513	23,132
Additions	772	4,743	924	2,680	622	9,741
Transfer in/(out)	8,999	7,746	76	(16,821)	–	–
Disposals	–	(9,053)	(802)	(888)	(3,206)	(13,949)
At 31 December 2020	65,350	110,258	61,901	38,388	86,871	362,768
Accumulated depreciation and impairment loss:						
At 1 January 2019	13,917	52,749	48,092	–	7,696	122,454
Charge for the year	2,280	6,311	3,644	–	9,284	21,519
Written back on disposals	(5)	(1,167)	(1,625)	–	–	(2,797)
Written back on disposal of subsidiaries	(569)	(3,436)	(10,725)	–	(529)	(15,259)
Impairment loss (Note 12(b))	–	547	–	–	–	547
At 31 December 2019 and 1 January 2020	15,623	55,004	39,386	–	16,451	126,464
Charge for the year	3,054	8,266	3,612	–	10,169	25,101
Written back on disposals	–	(6,217)	(620)	–	(1,881)	(8,718)
Impairment loss (Note 12(b))	–	5,286	–	–	–	5,286
At 31 December 2020	18,677	62,339	42,378	–	24,739	148,133
Net book value:						
At 31 December 2019	34,343	45,181	21,948	53,417	62,491	217,380
At 31 December 2020	46,673	47,919	19,523	38,388	62,132	214,635

(Expressed in RMB unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) At 31 December 2020, property certificates of certain properties with carrying amounts of RMB895,000 (2019: RMB974,000) are yet to be obtained. At 31 December 2020, the Group is in the process of applying for the ownership certificates for these properties. Mr. Ji, the ultimate controlling party of the Company, has undertaken to procure the obtaining of the title documents for the abovementioned properties. If title documents could not be obtained, Mr. Ji agreed to indemnify the Group for all the losses and damages arising therefrom.

(b) Impairment loss

During the year ended 31 December 2020, in a view of the fluctuation of the gas prices and the change in the vehicles gas market, the Group assessed the recoverable amounts of certain property, plant and equipment attributable to gas refuelling stations. An impairment loss of RMB5,286,000 (2019: RMB547,000) was recognised in "other operating expenses" in 2020. The estimates of recoverable amount were based on its value in use with pre-tax discount rate of 15% (2019: 11%).

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**2020 RMB'000**	2019 RMB'000
Ownership interests in leasehold land held for own use, at depreciated cost	(i)	**18,808**	14,424
Other properties and equipment, carried at depreciated cost	(ii)	**43,324**	48,067
		62,132	62,491

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(c) Right-of-use assets *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land held for own use, at depreciated cost	**783**	844
Other properties and equipment, carried at depreciated cost	**9,386**	8,440
	10,169	9,284
Interest on lease liabilities (Note 6(a))	**2,246**	2,631
Expense relating to short-term leases	**2,040**	4,918
COVID-19-related rent concessions received	**(9)**	–

During the year, additions to right-of-use assets were RMB622,000 (2019: RMB8,169,000). This amount included ownership interests in leasehold land held for own use of RMB123,000 (2019: RMB1,659,000), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 21(d) and 25, respectively.

As disclosed in Note 2(c), the Group has early adopted the Amendment to IFRS 16, *Leases*, *Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

(i) Ownership interests in leasehold land held for own use

Ownership interests in leasehold land held for own use represent land-use-right premiums paid by the Group for land located in the PRC, of which the Group is the registered owner. These leasehold land are with lease terms of 20 to 50 years.

(ii) Other properties and equipment, carried at depreciated cost

The Group leases other properties and equipment from third parties through tenancy agreements. The leases are with remaining lease terms of 2 to 15 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(d) Property, plant and equipment leased out under operating leases

The Group leases out a number of items of properties, motor vehicles and equipment under operating leases. The leases typically run for an initial period of 1 to 14 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals. During the year ended 31 December 2020, certain of these leases were terminated before the scheduled terms stipulated in the lease contracts.

At 31 December 2020, the aggregate carrying amount of the properties, motor vehicles and equipment leased out amounted to RMB2,287,000 (2019: RMB Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Zhengzhou Sino Gas Bus Fuel Company Limited ("**Zhengzhou Sino Gas**") (鄭州中油潔能巴士(燃氣)有限公司) *	The PRC 14 March 2005	RMB30,000,000	60%	–	60%	Sale of CNG to vehicular end-users by operating refuelling stations
Guangzhou Sino Gas Fuel Chain Company Limited (廣州中油潔能燃氣連鎖有限公司) *	The PRC 19 April 2005	RMB20,000,000	100%	–	100%	Sale of LPG to vehicular end-users by operating refuelling stations
Sino Gas (Zhuhai) Limited (中油潔能(珠海)石化有限公司) **	The PRC 14 September 2005	HK$38,000,000	100%	–	100%	Investment holding
Zhuhai Sino Gas Dangerous Goods Transportation Company Limited (珠海中油潔能危險品運輸有限公司) *	The PRC 14 December 2006	RMB10,000,000	100%	–	100%	Fuel transportation
Xinzheng Yonghui Natural Gas Company Limited (新鄭永輝天然氣有限公司) *	The PRC 1 February 2007	HK$12,000,000	100%	–	100%	Sale of CNG to vehicular end-users by operating refuelling stations and wholesale of CNG
Henan Sino Gas Sales and Transportation Company Limited (河南中油潔能銷售運輸有限公司) *	The PRC 17 December 2010	RMB12,000,000	100%	–	100%	Fuel transportation
Zhuhai Hengqin Xinqu Sino Gas Fuel Company Limited (珠海橫琴新區中油潔能燃氣有限公司) *	The PRC 9 May 2012	RMB5,000,000	100%	–	100%	Investment holding
Guangzhou Sino Gas Logistics Company Limited (廣州中油潔能物流有限公司) *	The PRC 23 January 2013	RMB10,000,000	100%	–	100%	Fuel transportation
Guangdong Sino Gas Investment Company Limited ("**GD Investment**") (廣東中油潔能投資有限公司) *	The PRC 2 May 2013	RMB100,000,000 and RMB10,000,000	100%	–	100%	Investment holding
Guangzhou Sino Gas New Energy Company Limited (廣州中油潔能新能源有限公司) *	The PRC 2 August 2013	RMB10,000,000	100%	–	100%	Sale of LNG to vehicular end-users by operating refuelling stations

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Henan Sino Gas Yonghui Natural Gas Company Limited (河南中油潔能永輝天然氣有限公司) *	The PRC 23 September 2013	RMB10,000,000	100%	–	100%	Sale of CNG and LNG to vehicular end-users by operating refuelling stations and wholesale of CNG and LNG
Henan Sino Gas Fuel Company Limited (河南中油潔能燃氣有限公司) *	The PRC 13 November 2013	RMB10,000,000	100%	–	100%	Wholesale of CNG and LNG
Sino Gas New Energy Investment Limited (中油新能源投資股份有限公司) ***	Hong Kong 23 January 2014	10,000 shares	100%	–	100%	Investment holding
Guangdong Sino Gas Petrochemical Company Limited (廣東中油潔能石化有限公司) *	The PRC 28 March 2014	RMB20,000,000	100%	–	100%	Wholesale of LPG
Guangzhou Sino Gas Jiahexing Petrochemical Company Limited ("**GZ Jiahexing**") (廣州中油潔能嘉和興石化有限公司) *	The PRC 26 May 2014	RMB10,000,000	51%	–	51%	Wholesale of LPG
Sino Gas Investment Group Company Limited (中油投資集團有限公司) ***	Hong Kong 24 March 2015	10,000 shares	100%	–	100%	Investment holding
Zhengzhou Transport Investment Sino Gas Fuel Company Limited ("**Zhengzhou Fuel**") (鄭州交投中油潔能燃氣有限公司) *	The PRC 3 June 2015	RMB100,000,000 and RMB40,000,000	51%	–	51%	Sale of CNG to vehicular end-users by operating refuelling stations
Guangzhou Sino Gas Natural Gas Company Limited (廣州中油潔能天然氣有限公司) *	The PRC 7 April 2016	RMB20,000,000 and RMBNil	100%	–	100%	Sale of natural gas
Perfect Wise Asia Limited (致慧亞洲有限公司) ***	The BVI 18 April 2017	1 share of United States Dollar ("**US$**") 1	100%	100%	–	Investment holding

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place and date of establishment/ incorporation	Particulars of registered/ issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Sino Gas Energy Group Limited (中油潔能能源集團有限公司) ***	The BVI 24 April 2018	100 shares of US$1 each	100%	100%	–	Investment holding
Sino Gas Investments Holdings Group Limited (中油潔能投資控股集團有限公司) ***	Hong Kong 17 May 2018	1 share	100%	–	100%	Investment holding
Guangzhou Sino Gas Fuel Sales Company Limited (廣州中油潔能燃氣銷售有限公司) *	The PRC 27 July 2018	RMB10,000,000 and RMBNil	100%	–	100%	Sale of LPG
Henan Blue Sky Sinopetroleum Clean Energy Science & Technology Company Limited ("**Henan Blue Sky**") (河南藍天中油潔能科技有限公司) * (Note 14)	The PRC 16 May 2007	RMB20,000,000	100%	–	100%	Sale of CNG to vehicular end- users by operating refuelling stations
Sino Gas Technology Group Limited (中油潔能科技集團有限公司) ***	Hong Kong 30 December 2019	1 share	100%	–	100%	Investment holding
Hebei Sino Gas New Energy Technology Company Limited ("**Hebei Sino Gas**") (河北中油潔能新能源科技有限公司) *	The PRC 6 March 2020	RMB10,000,000 and RMB1,000,000	51%	–	51%	Wholesale of LNG

Notes:

* The official names of these entities are in Chinese. The English translations are for identification purpose only. These companies are limited liability companies established in the PRC.

** The official name of this entity is in Chinese. The English translation is for identification purpose only. This company is registered as a wholly foreign-owned enterprise under the PRC Law.

*** These companies are limited liability companies incorporated outside of the PRC.

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to subsidiaries of the Group with material non-controlling interests ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2020	2019
NCI percentage:		
— Zhengzhou Fuel	**49%**	49%
— Zhengzhou Sino Gas	**40%**	40%
— GZ Jiahexing	**49%**	49%
— Hebei Sino Gas	**49%**	–

	2020 RMB'000	2019 RMB'000
Non-current assets		
— Zhengzhou Fuel	**34,781**	34,772
— Zhengzhou Sino Gas	**28,278**	30,476
	63,059	65,248
Current assets		
— Zhengzhou Fuel	**2,763**	3,321
— Zhengzhou Sino Gas	**62,321**	73,348
— Others	**3,435**	1,410
	68,519	78,079
Current liabilities		
— Zhengzhou Fuel	**(2,258)**	(2,189)
— Zhengzhou Sino Gas	**(58,308)**	(74,346)
— Others	**(997)**	–
	(61,563)	(76,535)
Non-current liabilities		
— Zhengzhou Fuel	**(3,516)**	(3,943)
— Zhengzhou Sino Gas	**(523)**	(368)
	(4,039)	(4,311)
Net assets		
— Zhengzhou Fuel	**31,770**	31,961
— Zhengzhou Sino Gas	**31,768**	29,110
— Others	**2,438**	1,410
	65,976	62,481

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

	2020 RMB'000	2019 RMB'000
Net assets attributable to NCI		
— Zhengzhou Fuel	**15,567**	15,661
— Zhengzhou Sino Gas	**12,707**	11,644
— Others	**1,195**	690
	29,469	27,995
Revenue		
— Zhengzhou Fuel	**–**	5,956
— Zhengzhou Sino Gas	**128,996**	214,035
— Others	**9,645**	4,090
	138,641	224,081
Profit/(loss) and total comprehensive income for the year		
— Zhengzhou Fuel	**(1,461)**	(2,963)
— Zhengzhou Sino Gas	**2,658**	(151)
— Others	**29**	(187)
	1,226	(3,301)
Profit/(loss) and total comprehensive income attributable to NCI		
— Zhengzhou Fuel	**(715)**	(1,452)
— Zhengzhou Sino Gas	**1,064**	(60)
— Others	**15**	(46)
	364	(1,558)

14 ACQUISITION OF CONTROL OVER A JOINT VENTURE

On 27 February 2020, the Group entered into a sale and purchase agreement to acquire other 50% of the equity interests in Henan Blue Sky (previously accounted for as a joint venture) with a cash consideration of RMB19,000,000. Upon the completion of the acquisition, Henan Blue Sky became a wholly-owned subsidiary of the Group.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Property, plant and equipment	23,132
Inventories	630
Trade receivables	2,307
Prepayments, deposits and other receivables	7,613
Cash at bank and on hand	17,967
Trade payables	(2,275)
Accrued expenses and other payables	(9,574)
Deferred tax liabilities	(1,756)
Fair value of identifiable net assets	38,044
Less: Total consideration paid in cash	(19,000)
Fair value of existing interests in Henan Blue Sky	(19,022)
Gain on bargain purchase	22
Gain on remeasurement of fair value of existing interest in Henan Blue Sky	2,634
Net gain on acquisition of control over a joint venture	2,656

14 ACQUISITION OF CONTROL OVER A JOINT VENTURE *(Continued)*

Net cash outflow arising from the acquisition of control over a joint venture is as follows:

	RMB'000
Total consideration paid in cash	19,000
Less: cash of subsidiary acquired	(17,967)
	1,033

15 INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	Place of establishment and business	Particulars of registered and Paid-up capital	The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Jiangmen Xinjiang Gas Company Limited ("**JM Xinjiang Gas**") (江門市新江煤氣有限公司)*	The PRC	RMB119,600,000	50%	–	50%	Wholesale of LPG

* The official name of this entity is in Chinese. The English translation is for identification purpose only.

The Group's joint ventures are unlisted entities. On 28 February 2020, the Group acquired 50% of the equity interests in Henan Blue Sky and it became a wholly-owned subsidiary of the Group (see Note 14).

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below.

15 INTERESTS IN JOINT VENTURES *(Continued)*

	JM Xinjiang Gas		Henan Blue Sky	
	2020 RMB'000	2019 RMB'000	**Period ended 28 February 2020 RMB'000**	2019 RMB'000
Gross amounts				
Non-current assets	**32,342**	34,352	**–**	16,531
Current assets*	**792,751**	52,349	**–**	20,029
Current liabilities*	**(762,434)**	(30,617)	**–**	(3,435)
Non-current liabilities	**(28,923)**	(20,349)	**–**	(150)
Net assets	**33,736**	35,735	**–**	32,975
Reconciled to the Group's interests in joint ventures				
Gross amounts of net assets	**33,736**	35,735	**–**	32,975
The Group's effective interest	**50%**	50%	**–**	50%
The Group's share of net assets	**16,868**	17,868	**–**	16,487
Elimination of unrealised loss relating to a financial guarantee issued by the Group	**–**	715	**–**	–
Carrying amounts in the consolidated statement of financial position	**16,868**	18,583	**–**	16,487
Gross amounts				
Revenue	**703,383**	244,942	**2,811**	31,109
(Loss)/profit for the year/period	**(1,999)**	(1,343)	**(200)**	1,849
Reconciled to the Group's interests in joint ventures				
Gross amounts of (loss)/profit for the year/period	**(1,999)**	(1,343)	**(200)**	1,849
The Group's effective interest	**50%**	50%	**50%**	50%
The Group's share of (loss)/profit	**(999)**	(671)	**(100)**	924

* As at 31 December 2020, the current assets of the joint venture mainly comprised structured deposits issued by a bank and restricted bank deposits. The structured deposits with principal amount of RMB383,000,000 and the restricted bank deposits of RMB315,000,000 were pledged for one year as securities for the bills payable of RMB708,300,000 included in the current liabilities of the joint venture.

16 FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Non-current		
Financial assets measured at FVPL		
— Unlisted equity securities	3,350	3,350
— Foreign exchange forward contracts	–	1,640
	3,350	4,990
Financial liabilities measured at FVPL		
— Foreign exchange forward contracts	–	463
Current		
Financial assets measured at FVPL		
— Foreign exchange forward contracts	133	–
— Structured deposits (Note (i))	50,827	–
	50,960	–
Financial liabilities measured at FVPL		
— Foreign exchange forward contracts	2,958	–

Note:

(i) As at 31 December 2020, the Group held a principal-guaranteed structured deposit product issued by a bank in the principal amount of RMB50,000,000 with maturity date on 16 June 2021. The floating yield of the product is linked to the RMB-denominated gold benchmark price published by the Shanghai Gold Exchange, which may vary at 1.75% or 3.05% per annum. The structured deposit product was pledged for one year as securities for the Group's bank loans (see Note 22) as at 31 December 2020.

17 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2020 RMB'000	2019 RMB'000
Certificates of deposit with maturities over one year (Note (i))	**70,000**	–

Note:

(i) In November 2020, the Group purchased certificates of deposit issued by a bank with an aggregate principal amount of RMB70,000,000 (2019: RMB Nil) and a maturity period of three years. Such certificates of deposit could be redeemed or transferred at any time while management has intention to hold them until maturity. The certificates of deposit of RMB70,000,000 were pledged for one year as securities for the Group's bank loans (see Note 22) as at 31 December 2020.

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Gas	**1,043**	728
Spare parts	**2,188**	1,446
	3,231	2,174

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**1,182,054**	1,135,389

19 TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables due from:		
— third parties	**83,785**	82,862
— related parties	**36,001**	25,585
	119,786	108,447
Less: loss allowance (Note 28(a))	**(1,846)**	(1,281)
Financial assets measured at amortised cost	**117,940**	107,166

All of the trade receivables, net of loss allowance, are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	**81,702**	58,233
1 to 3 months	**17,866**	40,102
3 to 6 months	**18,067**	8,831
6 to 12 months	**305**	–
	117,940	107,166

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 28(a).

(Expressed in RMB unless otherwise indicated)

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Value added tax recoverable	**8,482**	8,730
Receivables relating to disposal of unlisted equity securities	**–**	14,080
Prepayments for purchase of inventories	**40,013**	23,676
Advances to staff	**3,885**	2,962
Deposits for operating expenses	**1,083**	1,870
Loan to a third party (Note (i))	**11,342**	–
Others	**10,398**	10,665
	75,203	61,983
Less: loss allowance	**(8,083)**	(8,083)
	67,120	53,900

Notes:

(i) On 15 January 2020, GD Investment entered into a loan agreement with a third party in the principal amount of RMB10,000,000 with maturity date on 30 April 2021, and interest rate at 13.8% per annum.

(ii) All of the prepayments, deposits and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	**56,304**	151,605
Pledged and restricted bank deposits (Note (i))	**53,050**	14,710
Cash at bank and on hand in the consolidated statement of financial position	**109,354**	166,315
Less: pledged and restricted bank deposits	**(53,050)**	(14,710)
Cash and cash equivalents in the consolidated cash flow statement	**56,304**	151,605

Notes:

(i) Included in pledged and restricted bank deposits, RMB45,500,000 (2019: RMB7,500,000) was pledged as securities for the Group's bank loans (see Note 22) at 31 December 2020. The pledged and restricted bank deposits of RMB7,550,000 (2019: RMB7,210,000) were pledged as securities for the Group's foreign exchange forward contracts outstanding (see Note 16) as at 31 December 2020.

(ii) The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**18,311**	33,250
Adjustments for:			
Depreciation	6(c)	**25,101**	21,519
Impairment losses on property, plant and equipment	6(c)	**5,286**	547
Net (gain)/loss on disposal of property, plant and equipment	5	**(255)**	780
Interest income	5	**(3,062)**	(2,041)
Finance costs	6(a)	**6,516**	13,244
Share of losses/(profits) of joint ventures	15	**1,099**	(253)
Changes in fair value of financial assets and liabilities measured at fair value through profit and loss	5	**1,550**	(1,177)
Gain on disposal of subsidiaries	5	**–**	(5,480)
Gain on disposal of equity investments	5	**–**	(4,080)
Net gain on acquisition of control over a joint venture	5	**(2,656)**	–
Changes in working capital:			
Increase in inventories		**(427)**	(119)
Increase in trade receivables		**(8,467)**	(24,063)
(Increase)/decrease in prepayments, deposits and other receivables		**(14,513)**	9,054
Increase in trade payables		**(2,203)**	(34,438)
Decrease in accrued expenses and other payables		**(6,075)**	(5,792)
Decrease in pledged and restricted bank deposits		**–**	35,933
Cash generated from operations		**20,205**	36,884

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's assets and liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Liabilities			
	Bank loans RMB'000 (Note 22)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 25)	Total RMB'000
At 1 January 2020	136,370	–	48,598	184,968
Changes from financing cash flows:				
Proceeds from new bank loans	196,597	–	–	196,597
Repayments of bank loans	(136,370)	–	–	(136,370)
Capital element of lease rentals paid	–	–	(7,537)	(7,537)
Interest element of lease rentals paid	–	–	(2,246)	(2,246)
Interest paid	–	(4,270)	–	(4,270)
Total changes from financing cash flows	60,227	(4,270)	(9,783)	46,174
Other changes:				
Interest expenses on lease liabilities (Note 6(a))	–	–	2,246	2,246
Net increase in lease liabilities	–	–	548	548
Interest expenses on bank loans (Note 6(a))	–	4,270	–	4,270
	–	4,270	2,794	7,064
At 31 December 2020	196,597	–	41,609	238,206

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Liabilities			
	Bank loans RMB'000 (Note 22)	**Interest payable** RMB'000	**Lease liabilities** RMB'000 (Note 25)	**Total** RMB'000
At 1 January 2019	275,233	–	47,296	322,529
Changes from financing cash flows:				
Proceeds from new bank loans	136,370	–	–	136,370
Repayments of bank loans	(275,233)	–	–	(275,233)
Capital element of lease rentals paid	–	–	(5,208)	(5,208)
Interest element of lease rentals paid	–	–	(2,631)	(2,631)
Interest paid	–	(10,613)	–	(10,613)
Total changes from financing cash flows	(138,863)	(10,613)	(7,839)	(157,315)
Other changes:				
Interest expenses on lease liabilities (Note 6(a))	–	–	2,631	2,631
Net increase in lease liabilities	–	–	6,510	6,510
Interest expenses on bank loans (Note 6(a))	–	10,613	–	10,613
	–	10,613	9,141	19,754
At 31 December 2019	136,370	–	48,598	184,968

21 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(Continued)

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**2,040**	4,918
Within investing cash flows	**123**	1,659
Within financing cash flows	**9,783**	7,839
	11,946	14,416

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**11,823**	12,757
Acquisition of leasehold land held for own use	**123**	1,659
	11,946	14,416

22 BANK LOANS

(a) The Group's short-term bank loans are analysed as follows:

	2020 RMB'000	2019 RMB'000
Unsecured	**–**	100,000
Secured	**196,597**	36,370
	196,597	136,370

(b) At 31 December 2020, the Group's short-term bank loans of RMB196,597,000 were secured by principal-guaranteed structured deposit product, certificates of deposit and bank deposits (see Notes 16, 17 and 21(a)(i)). At 31 December 2019, bank loans of RMB36,370,000 were secured by bank deposits. Some of the Group's banking facilities are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 28(b). As at 31 December 2020 and 2019, none of the covenants relating to the drawn down facilities had been breached.

23 TRADE PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**1,546**	1,474
Financial liabilities measured at amortised cost	**1,546**	1,474

All of the trade payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	**444**	615
1 to 3 months	**495**	426
3 to 6 months	**601**	433
More than 6 months	**6**	–
	1,546	1,474

24 ACCRUED EXPENSES AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Accrued transportation expenses	**18,125**	18,125
Payables for purchase and construction of property, plant and equipment	**4,126**	1,726
Payables for staff related costs	**2,757**	3,806
Other taxes payable	**902**	1,165
Others	**6,912**	5,691
Financial liabilities measured at amortised cost	**32,822**	30,513
Contract liabilities — receipts in advance from customers	**10,012**	6,812
Financial guarantee issued	**–**	325
	42,834	37,650

At 31 December 2020, there was no financial guarantee issued by the Group (2019: RMB65,000).

All of the other accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

24 ACCRUED EXPENSES AND OTHER PAYABLES *(Continued)*

As of 31 December 2020, contract liabilities mainly represented advance from customers related to the sales of LPG, LNG and CNG, etc. The majority of obligations are expected to be performed within one year and the corresponding revenue will be recognised. The majority amount of contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2020.

25 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**7,301**	8,172
After 1 year but within 2 years	**3,926**	6,276
After 2 years but within 5 years	**11,440**	12,123
After 5 years	**18,942**	22,027
	34,308	40,426
	41,609	48,598

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2020 RMB'000	2019 RMB'000
Income tax (recoverable)/payable at 1 January	**(3,739)**	3,029
Provision for the year (Note 8(a))	**7,850**	12,975
Disposal of subsidiaries	**–**	(57)
Income tax paid	**(8,945)**	(19,686)
Income tax recoverable at 31 December	**(4,834)**	(3,739)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets					Liabilities			
	Credit loss allowance RMB'000	Impairment loss on interest in a joint venture RMB'000	Unused tax losses RMB'000	Impairment loss on property, plant and equipment RMB'000	Temporary difference arising from lease accounting RMB'000	Fair Value gains on foreign exchange forward contracts RMB'000	Undistributed profits of a joint venture RMB'000	Fair value adjustment on acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2019	2,092	2,904	758	–	–	–	–	–	5,754
Credited/(charged) to the consolidated statement of profit or loss (Note 8(a))	249	–	–	137	505	(410)	(269)	–	212
At 31 December 2019 and 1 January 2020	**2,341**	**2,904**	**758**	**137**	**505**	**(410)**	**(269)**	**–**	**5,966**
Acquisition of a subsidiary (Note 14)	–	–	–	–	–	–	–	(1,756)	(1,756)
Credited to the consolidated statement of profit or loss (Note 8(a))	142	–	–	1,183	534	377	269	25	2,530
At 31 December 2020	**2,483**	**2,904**	**758**	**1,320**	**1,039**	**(33)**	**–**	**(1,731)**	**6,740**

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**8,505**	6,645
Net deferred tax liability recognised in the consolidated statement of financial position	**(1,765)**	(679)
	6,740	5,966

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB23,606,000 (2019: RMB63,769,000) at 31 December 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant subsidiaries. As at 31 December 2020, the tax losses expire within the next five years i.e. 2021 to 2025.

(d) Deferred tax liabilities not recognised

At 31 December 2020, taxable temporary differences relating to the undistributed profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB262,042,000 (2019: RMB248,022,000), where deferred tax liabilities in respect of the PRC Withholding Tax that would be payable on the distributions of these profits, have not been recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below.

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Exchange reserve RMB'000 (Note 27(d)(iv))	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	1,892	173,360	1,047	(2,511)	173,788
Changes in equity for the year ended 31 December 2019:					
Loss for the year	–	–	–	(3,997)	(3,997)
Other comprehensive income	–	–	6,631	–	6,631
Total comprehensive income	–	–	6,631	(3,997)	2,634
Balance at 31 December 2019 and 1 January 2020	**1,892**	**173,360**	**7,678**	**(6,508)**	**176,422**
Changes in equity for the year ended 31 December 2020:					
Profit for the year	**–**	**–**	**–**	**60**	**60**
Other comprehensive income	**–**	**–**	**(10,573)**	**–**	**(10,573)**
Total comprehensive income	**–**	**–**	**(10,573)**	**60**	**(10,513)**
Balance at 31 December 2020	**1,892**	**173,360**	**(2,895)**	**(6,448)**	**165,909**

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

(c) Share capital

	2020		2019	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

	2020		2019	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	**216,000**	**1,892**	216,000	1,892

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(ii) Other reserve

The balance of other reserve at 31 December 2020 represented the difference between the considerations of disposal of certain equity interests in subsidiaries and the carrying amount of the proportionate net assets, and the Reorganisation took place prior to the initial listing of the Company's shares on the Stock Exchange.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established in the PRC (excluding Hong Kong) are required to transfer 10% of their net profits to the statutory reserve until the reserve balance reaches 50% of the respective subsidiary's registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increasing capital of the respective subsidiary and is non-distributable other than in liquidation.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(u).

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in the economic conditions.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest and currency rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and lease receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standings, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 31% (2019: 23%) and 84% (2019: 71%) of the trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2020:

	2020		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Within 1 month	**0.1**	**81,812**	**(109)**
1 to 3 months	**0.5**	**17,958**	**(92)**
3 to 6 months	**1.7**	**18,385**	**(318)**
6 to 12 months	**8.6**	**333**	**(29)**
More than 12 months	**100**	**1,298**	**(1,298)**
		119,786	**(1,846)**

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 month	0.2	58,361	(128)
1 to 3 months	0.7	40,402	(300)
3 to 6 months	8.8	9,684	(853)
		108,447	(1,281)

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movements in the loss allowance account in respect of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	1,281	159
Impairment losses recognised in profit or loss during the year	565	1,122
Balance at 31 December	1,846	1,281

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	197,500	–	–	–	197,500	196,597
Lease liabilities	9,387	5,588	15,154	22,308	52,437	41,609
Trade payables measured at amortised cost	1,546	–	–	–	1,546	1,546
Accrued expenses and other payables measured at amortised cost	32,822	–	–	–	32,822	32,822
	241,255	5,588	15,154	22,308	284,305	272,574

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	139,297	–	–	–	139,297	136,370
Lease liabilities	10,708	8,190	16,427	26,306	61,631	48,598
Trade payables measured at amortised cost	1,474	–	–	–	1,474	1,474
Accrued expenses and other payables measured at amortised cost	30,513	–	–	–	30,513	30,513
	181,992	8,190	16,427	26,306	232,915	216,955
Financial guarantees issued:						
Maximum amount guaranteed	18,720	–	–	–	18,720	325

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2020		2019	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	**2.55%–3.20%**	**196,597**	3.25%–5.00%	136,370
Lease liabilities	**5.00%–5.49%**	**41,609**	5.00%–5.49%	48,598
Total borrowings		**238,206**		184,968

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through inter-company payables and receivables and other financial instruments that are denominated in a foreign currency, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies or foreign exchange contracts where necessary to address short-term imbalances. As at 31 December 2020, the fluctuation in foreign exchange rate does not have a significant impact on the Group with no change for other factors and therefore, no further analysis is made.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy (Continued)

	Fair value at 31 December 2020 RMB'000	Fair value measurements at 31 December 2020 categorised into Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2019 RMB'000	Fair value measurements at 31 December 2019 categorised into Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements						
Assets:						
Financial assets measured through FVPL:						
— Unlisted equity securities (Note 16)	3,350	–	3,350	3,350	–	3,350
— Foreign exchange forward contracts (Note 16)	133	133	–	1,640	1,640	–
— Structured product (Note 16)	50,827	50,827	–	–	–	–
Liabilities:						
Financial liabilities measured through FVPL:						
— Foreign exchange forward contracts (Note 16)	(2,958)	(2,958)	–	(463)	(463)	–

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of gold-linked structured product in Level 2 is determined by discounting the estimated future cash inflows considering current interest rates and the gold forward price linked to the product.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Information about Level 3 fair value measurements

At 31 December 2020, the fair value of the unlisted equity securities is estimated by reference to the latest price of new investment made by external investors, which approximate the cost. The movements during the year ended 31 December 2020 in the balance of the Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At January	**3,350**	13,700
Disposals	**–**	(10,350)
At 31 December	**3,350**	3,350

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2020 and 2019.

29 COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Commitments in respect of property, plant and equipment:		
— Contracted for	**1,925**	1,460

30 CONTINGENT LIABILITIES

In 2019, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages arising from debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB64,414,000 (the "**Claim**"). During the year ended 31 December 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this report, the plaintiff is seeking an appeal on the judgement. The directors do not consider it probable that the subsidiary will be found liable to the Claims and accordingly, no provision has been made at 31 December 2020.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Transactions with related parties

	2020 RMB'000	2019 RMB'000
Sales of goods		
— a joint venture	**623,364**	224,888
Purchases of goods		
— joint ventures	**–**	5,704
Provision of transportation services		
— joint ventures	**987**	721
Guarantee issued to a bank in respect of bank facilities granted to and utilised by a related party		
— a joint venture	**–**	18,720

None of the above related party transactions in 2020 falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Hong Kong Listing Rules.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**3,412**	4,291
Contributions to defined contribution retirement schemes	**7**	53
	3,419	4,344

Total remuneration is included in "staff costs" in Note 6(b).

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment in subsidiaries	13	**53,644**	57,094
Amounts due from subsidiaries		**115,920**	122,238
		169,564	179,332
Current assets			
Cash at bank		**5,630**	6,867
		5,630	6,867
Current liabilities			
Amounts due to subsidiaries		**6,285**	9,314
Other financial liabilities		**2,958**	–
Other payables		**42**	–
		9,285	9,314
Net current liabilities		**(3,655)**	(2,447)
Total assets less current liabilities		**165,909**	176,885
Non-current liabilities			
Other financial liabilities		**–**	463
NET ASSETS		**165,909**	176,422
CAPITAL AND RESERVES	27		
Share capital		**1,892**	1,892
Reserves		**164,017**	174,530
TOTAL EQUITY		**165,909**	176,422

Approved and authorised for issue by the board of directors on 30 March 2021.

Ji Guang
Chairman

Ji Ling
Director

33 IMPACT OF COVID-19 OUTBREAK

The Coronavirus outbreak ("**COVID-19**") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various contingency measures. The directors confirm that these contingency measures include but not limited to reassessing the adequacy and suitability of the Group's existing suppliers' inventory of LPG, CNG and LNG, increasing the monitoring of the business environment of the Group's customers, and improving the Group's cash position by expediting debtor settlements. The Group will keep the contingency measures under review as the COVID-19 situation evolves.

As far as the Group's businesses are concerned, the COVID-19 has negatively affected the operation and caused the decrease in the demand for LPG, CNG and LNG, but the directors consider that such impact could be temporary, and the Group's businesses will resume soon upon the cessation of the COVID-19. In addition, the COVID-19 may impact the cash flow forecasts, and also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on property, plant and equipment attributable to gas refuelling stations and trade receivables in future periods. The possible impacts after the reporting period have not been reflected in these financial statements, and the actual impacts may differ from estimates adopted in these financial statements as the COVID-19 situation continues to evolve and when further information may become available.

34 IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate parent and the ultimate controlling party of the Company at 31 December 2020 to be China Full Limited and Mr. Ji, respectively. China Full Limited does not produce financial statements available for public use.

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Revenue	878,373	1,095,339	1,220,011	1,278,898	**1,284,358**
Profit before tax	113,452	113,623	61,509	33,250	**18,311**
Income tax expense	(31,595)	(29,381)	(20,483)	(12,763)	**(5,320)**
Profit for the year	81,857	84,242	41,026	20,487	**12,991**
Attributable to:					
Equity shareholders of the Company	80,813	82,250	37,634	22,045	**12,627**
Non-controlling interests	1,044	1,992	3,392	(1,558)	**364**
Profit for the year	81,857	84,242	41,026	20,487	**12,991**

ASSETS AND LIABILITIES

	As at 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020 RMB'000**
Total assets	550,326	590,595	721,916	597,379	**666,797**
Total liabilities	(282,317)	(233,444)	(363,512)	(225,234)	**(287,309)**
Net assets	268,009	357,151	358,404	372,145	**379,488**
Attributable to:					
Equity shareholders of the Company	250,901	333,151	320,480	344,150	**350,019**
Non-controlling interests	17,108	24,000	37,924	27,995	**29,469**
Total equity	268,009	357,151	358,404	372,145	**379,488**