中裕能源控股有限公司
ZHONGYU ENERGY HOLDINGS LIMITED

Stock Code 股份代號: 3633

2021 年報
Annual Report

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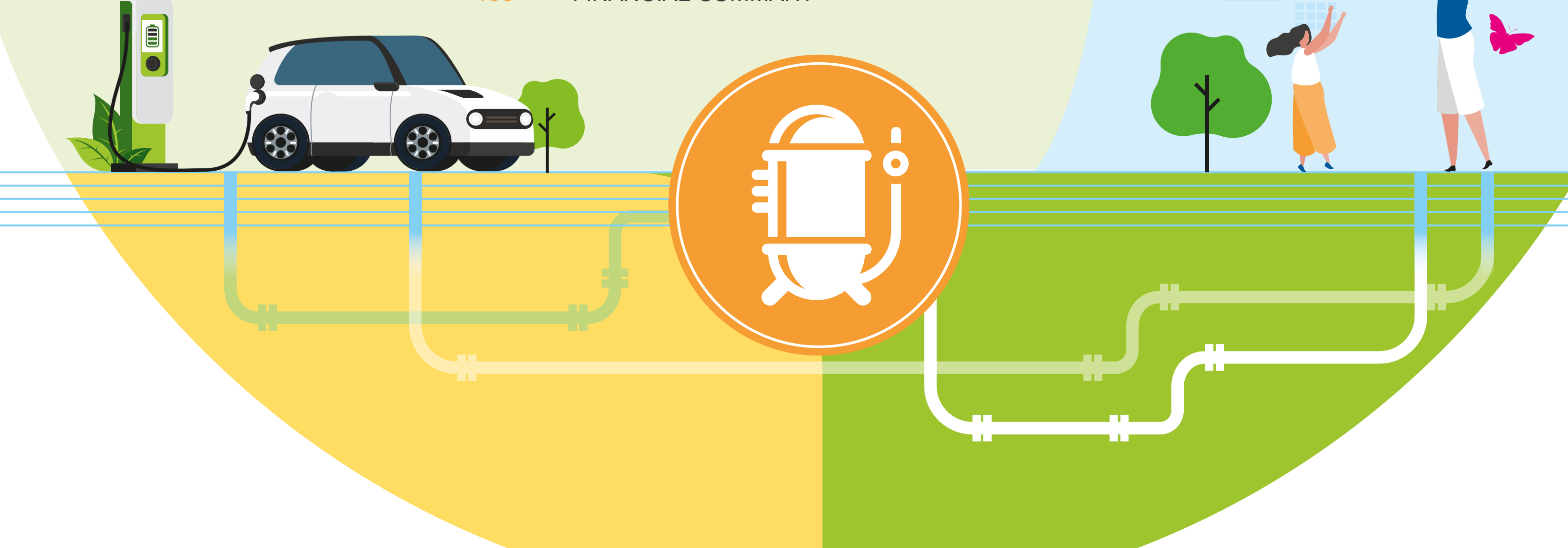
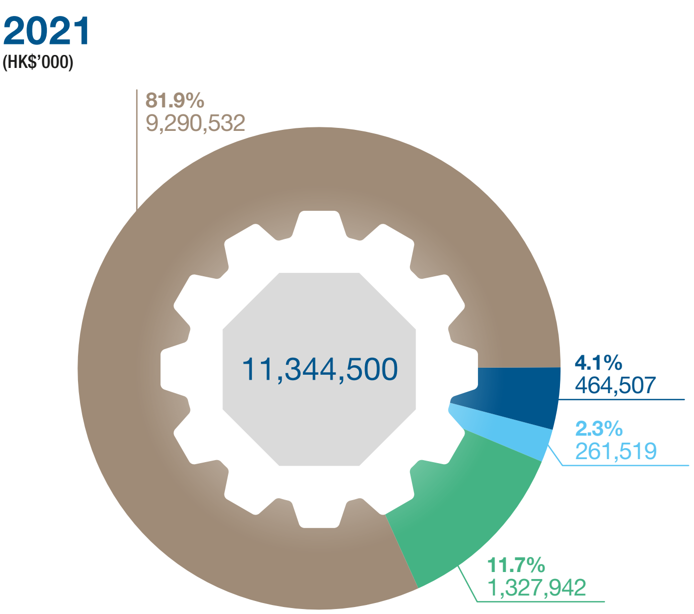
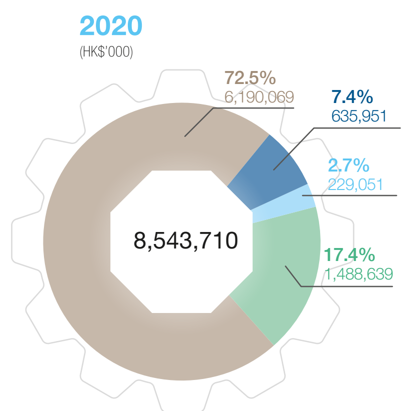


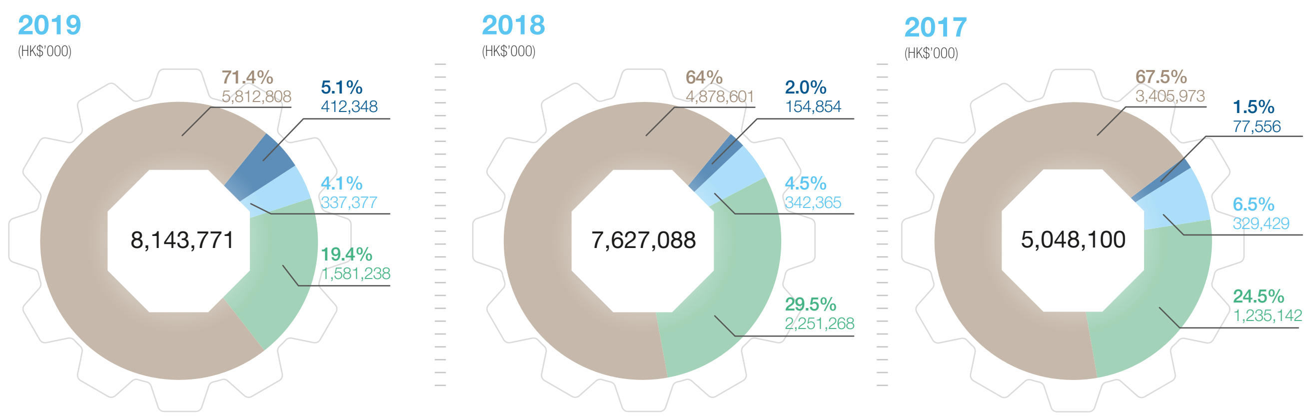
FINANCIAL AND OPERATIONAL HIGHLIGHTS

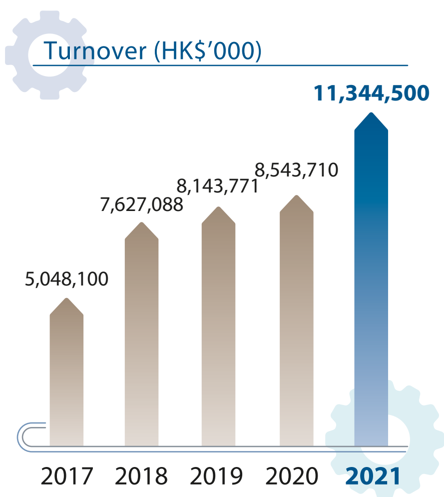
	For the year ended 31st December,		
	2021 **HK$'000**	2020 HK$'000	changes %
Turnover	**11,344,500**	8,543,710	32.8%
Gross profit	**2,188,937**	1,947,017	12.4%
Profit attributable to owners of the Company	**1,188,997**	1,056,617	12.5%
Non-HKFRS profit attributable to owners of the Company	**963,347**	815,728	18.1%
Non-HKFRS EBITDA	**2,079,049**	1,897,378	9.6%
Basic earnings per share (HK cents)	**44.20**	39.95	10.6%
Non-HKFRS basic earnings per share (HK cents)	**35.81**	30.84	16.1%
Proposed final dividend (HK cents)	**8.00**	7.00	14.3%
Proposed special dividend (HK cents)	**5.00**	–	100%
Unit of natural gas sold ('000 m^3)	**2,818,011**	2,239,002	25.9%
New piped gas connections made (residential households under "coal-to-gas" projects)	**91,074**	224,927	(59.5)%
New piped gas connections made (residential households under non "coal-to-gas" projects)	**290,802**	236,880	22.8%
Sales volume of integrated energy (million kWh)	**21.74**	11.41	90.5%

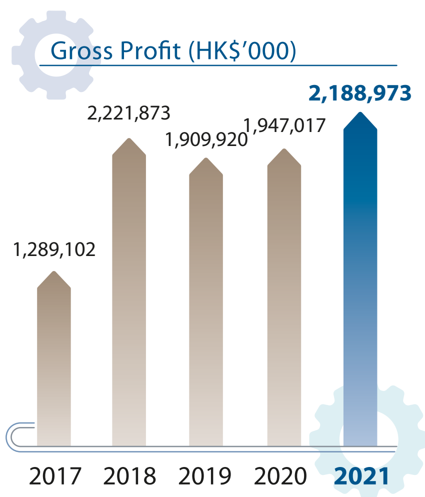


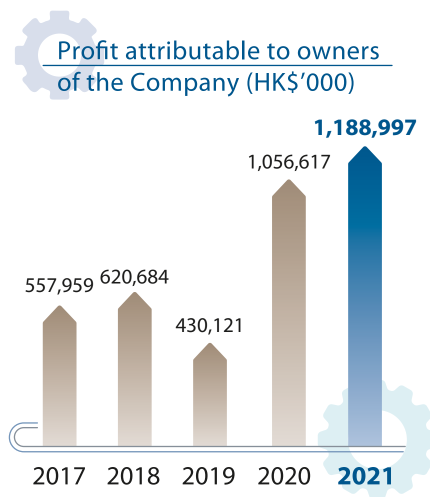


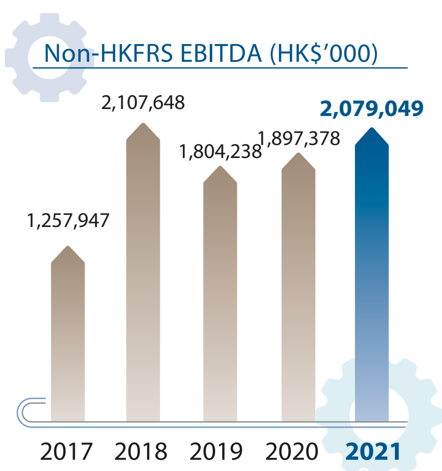
Sales of gas
Sales of CNG/LNG in vehicle filling stations
Revenue from gas pipeline construction
Value-added services

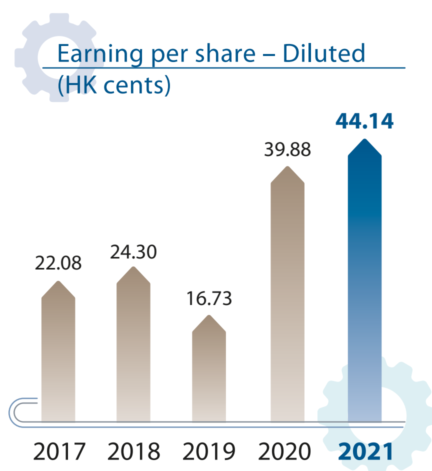

2019
(HK$'000)
8,143,771
71.4%
5,812,808
5.1%
412,348
4.1%
337,377
19.4%
1,581,238
2018
(HK$'000)
7,627,088
64%
4,878,601
2.0%
154,854
4.5%
342,365
29.5%
2,251,268
2017
(HK$'000)
5,048,100
67.5%
3,405,973
1.5%
77,556
6.5%
329,429
24.5%
1,235,142


Turnover (HK$'000)
5,048,100
7,627,088
8,143,771
8,543,710
11,344,500
2017 2018 2019 2020 2021


Gross Profit (HK$'000)
1,289,102
2,221,873
1,909,920
1,947,017
2,188,973
2017 2018 2019 2020 2021


Profit attributable to owners of the Company (HK$'000)
557,959
620,684
430,121
1,056,617
1,188,997
2017 2018 2019 2020 2021


Non-HKFRS EBITDA (HK$'000)
1,257,947
2,107,648
1,804,238
1,897,378
2,079,049
2017 2018 2019 2020 2021


Earning per share – Diluted (HK cents)
22.08
24.30
16.73
39.88
44.14
2017 2018 2019 2020 2021

CORPORATE INFORMATION

Executive Directors

Mr. Wang Wenliang *(Chairman)*
Mr. Yiu Chi Shing *(Vice Chairman)*
(appointed with effect from 29th October, 2021)
Mr. Lui Siu Keung *(Chief Executive Officer)*
Mr. Jia Kun *(Executive President)*
Mr. Lu Zhaoheng
Mr. Li Yan

Non-executive Director

Mr. Xu Yongxuan *(Vice Chairman)*
(resigned with effect from 29th October, 2021)

Independent Non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Ms. Liu Yu Jie

Company Secretary

Mr. Lui Siu Keung

Authorised Representatives

Mr. Wang Wenliang
Mr. Lui Siu Keung

Audit Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Ms. Liu Yu Jie

Remuneration Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Ms. Liu Yu Jie

Nomination Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Ms. Liu Yu Jie

Hong Kong Legal Advisors

Reed Smith Richards Butler LLP

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Website

www.zhongyuenergy.com

Stock Code

3633

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Units 04-06, 28th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Standard Chartered Bank
Bank of Communications (Hong Kong) Limited
Shanghai Pudong Development Bank Co., Limited
China CITIC Bank International Limited
Bank of China (Hong Kong) Limited
Bank of Kunlun Co., Limited
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank, Limited
Chiyu Banking Corporation Limited
Far Eastern International Bank
Zhongyuan Bank Co., Limited
Industrial Bank Co., Ltd., Hong Kong Branch

CHAIRMAN'S STATEMENT

To our valued shareholders,

2021 marked the beginning of the 14th Five-Year Plan and also the turning point for the Group to fully implement smart energy transformation. Under the prolonged and repetitive COVID-19 outbreak in the PRC, frequent reoccurence of extreme weather disasters and increasing volatility in commodity prices, the Group firmly implemented the "one body, three wings" strategy to seize opportunities among challenges and developed with innovation. Aiming at the dual carbon goals, the Group orderly developed its natural gas business and actively sought to establish a presence in the smart energy industry, so as to continuously strive to become the most valuable integrated energy service provider. Benefitting from the transformation and upgrade of the national energy structure, the sales of gas of the Group increased significantly. Asset scale, operating income and operating profit achieved steady growth during the year.

In the year of 2021, under the extremely strict national gas safety circumstances, the Group acted swiftly and firmly and adhered to the safety rules to demonstrate the Group's responsibility. Amidst the erratic fluctuation in international oil prices, the Group flexibly made plans for upstream resources and actively innovated downstream sales strategies. Not only did the Group guarantee gas supply for residents, it also further improved its price adjustments mechanism and ensured a steady increase of profit from its gas business.

As industry growth gradually stabilized, the Group focused on the expansion and development of its city gas business. In 2021, regions as well as provinces included in the concession sector where we have operations in further expanded. In terms of energy trading, the Company focused on introducing high-quality gas sources, strengthening the demand and supply structure internally, and achieving cost reduction and efficiency enhancement to contribute considerably to maintaining the incremental supply to city gas subsidiaries and the Group's profit growth.

In 2021, building on our advanced exploration and steady progress in the smart energy industry, we established a smart energy group with greater leverage on capital, talent, resources and management. Our smart energy business had a good start. The existing projects operated stably, and we vigorously explored new markets to accumulate drivers for the transformation and development of the Group. When dealing with the domestic and international challenges of normalization of market fluctuation, the Group has a proper understanding of the current situation, fully grasps the opportunities and manages the risks in the process of energy transformation, and strives to discover opportunities from the challenges. In 2021, a series of new energy policies and rural energy transformation policies were launched successively in various regions, creating opportunities for the smart energy group to develop diversified businesses such as distributed energy, photovoltaic rooftop and charging stations. In line with the countywide rooftop distributed photovoltaic development pilot scheme launched by the National Energy Administration, the Company's subsidiaries signed framework agreements on the promotion of countywide distributed photovoltaic with several local governments to expand its smart energy business by leveraging on its own strengths in the gas project concession sector. In terms of smart energy, the Group has promising potential and will definitely make great achievements.

2021 is the final year of the Group's three-year plan for improving management consolidation. The Company achieved remarkable improvement in its internal management. We paid much effort to enhance our internal management through a systemic, standardized, professionalized, informationalized and refined management system. As a result, our management is able to cater to the needs of corporate development, and is able to respond to external changes of the development environment with ease. In light of favorable policies and the complex and ever-changing industry dynamics, the Group has come to the cross road where reform must be made. At the end of the year, the Group officially announced a change of its company name, indicating its determination and confidence in self-reform and transformation. Development in both the gas and smart energy sectors was the consensus of all employees of the Group.

PROSPECTS

With the large-scale rollout of the COVID-19 vaccination program, it is expected that the global economy will undergo a choppy recovery in 2022. As the COVID-19 pandemic gradually comes under control, with the accelerating implementation of the "dual circulation" new development approach, the economy of the PRC is expected to continue its steady and progressive development trend to realize high-quality economic development. The national energy structure will constantly undergo transformation and upgrade. World energy will move towards a more diversified, clean and low-carbon approach. The PRC "30-60" dual carbon goals proves that "green and low-carbon" is the future development direction of the energy industry. With the transition to a low-carbon economy era and the clean energy transformation promoted by the industry in past few years, the northern region showed an initial effective prevention and control of air pollution, and the national demand for natural gas will grow steadily according to the national strategic planning.

In the future, "green development" and "clean, low-carbon, safe and effective" will be the national energy strategy in the long run, of which the environmental protection policy and "dual carbon goals" have become one of the key driving forces for natural gas development and provided enormous room for its development. According to the Medium- and Long-term Oil and Gas Pipelines Network Plan issued by the National Development and Reform Commission and the National Energy Administration, the domestic natural gas pipeline network will reach 163,000 km by 2025. In particular, the Guiding Opinions on 2021 Energy Tasks pointed out that the energy storage and transportation capacity will be further expanded to form a national network, the construction of the main network and the interconnection between networks will be promoted, the establishment of gas storage facility groups in the scale of "hundreds of billions" cubic metres in the northeast, northern, southwest, northwest regions etc. will be actively boosted, and the significant construction projects such as construction pipelines for gas production, supply and sales system, underground gas storage facility and LNG receiving terminal will be standardized. The orderly implementation of these policies is beneficial to the steady development of the Group.

2022 symbolizes the twentieth year of the Group's entry into the gas industry. During this second decade, the natural gas industry will undergo rapid development. The Group will seize opportunities to keep up with the mainstream of the industry and continue to develop. To achieve significant performance development, the Group will consider large-scale mergers and acquisitions, expand distributed energy, and realize the transformation from a regional gas group to a national energy group. With the dedicated efforts of 5,000 employees of the Group, we advance towards the vision of becoming the most valuable integrated energy service provider by promoting the diversified "one body, three wings" synergetic development model. In the critical year of the 14th Five-Year Plan and the implementation year of the dual carbon goals, the Group will seize policy opportunities such as "comprehensively promote rural revitalization", "strengthen the construction of energy production, supply, storage and sales system", and "accelerate the promotion of energy technology innovation" to strive for high-quality development of the Group in the next decade. The Group will continue to develop the city pipeline gas business, steadily expand and increase its market share in the existing market, and continue to promote one-stop city gas services actively to improve quality of life of residents. The Group will also actively expand its business to other regions with potential to look for new opportunities and new markets, and further develop value-added services and new retail segments. The Group will accelerate growth to achieve comprehensive development and increase revenue and efficiency through business expansion. With the gradual transformation to "technology-driven success", the Group utilizes its existing huge customer base, coordinates its comprehensive information system of "1+3+N", to achieve the upgrade of digitization and intelligence of gas corporate operation and management as well as the transformation of information and resources into economies.

As for the development of clean energy, the Group will start developing of other forms of clean energy with the support of resources accumulated in more than twenty years in the energy industry, and to establish its presence in the smart energy sector while at the same time ensure steady growth of its gas business, so as to achieve the gas and smart energy strategy. In 2022, the Group will create a core platform for smart energy, focus on the development of businesses such as distributed energy, diversified energy supply, construction and operation of microgrid, supply chain of smart and clean energy, zero-carbon and smart industrial park, clean and smart transportation, clean energy microgrid and energy storage and energy saving services, advisory design and construction business. The Company will gradually establish a user-oriented, diversified and low-carbon new energy system that is smart and safe, clean and efficient to meet the needs of users, and provide the users with more efficient and stable, safe and convenient, clean and low-cost integrated energy services. In the future, the Group will increase investment in new energy projects, and strive to build a well-known domestic brand in the field of integrated energy operation services.

In terms of energy trading business, the Group will continue to strengthen its work on maintaining gas sources supply and strengthening its ability on forecasting gas volume. The Group will follow the trend of the national energy system reform and maintain city gas supply as its core business. With the support of its existing resources, the Group will continuously carry out vertical expansion, actively plan its penetration in the retail terminals for domestic natural gas trading, especially to explore the distribution agency model in pipeline gas trading. With the comprehensive risk control measures implemented, the Group will explore the LNG trading when appropriate, so as to create a resource platform with integrated competitiveness. Under the Group's "one body, three wings" overall strategic planning guidance, the energy trading segment will continue to innovate its business model in customer energy solutions, smart logistics and supply chain finance to achieve transformation and upgrade in products, operations and strategies, hence becoming the new driver of the Group's second take-off.

In terms of safe operation, the Group will unremittingly implement COVID-19 normalization, prevention and control measures, and will make plans for the rapid resumption of production and create emergency response plans to pandemic outbreaks, natural disaster or other emergencies. As always, the Group regards safety, quality, efficiency and effectiveness as its core values, of which safety has the utmost importance. Whether it is business management or daily operation, safety is imperative to support the long-term development of the Group. The Group will strengthen internal quality control, improve the management systems of all departments, enhance risk prevention and control, intensify comprehensive supervision for all businesses as well as the prevention and control of different types of operational risks, thus fostering the overall and healthy development of the Group.

The Group will also further strengthen its work on sustainable development, improve ESG governance gradually and integrate the ESG ideology into the daily operation and management of the Group, so as to improve our natural environment, promote social progression, create corporate value and make due contributions.

In the upcoming year, the Group will keep pace with the times, take a proactive approach and adhere to the operating principle of "market-driven, customer-oriented, and economic efficiency-centered" to gradually establish a diversified and low-carbon new energy system that is smart, safe, clean and efficient. The Group will continue to provide high-quality and efficient integrated energy services to its customers, and is dedicated to become the most valuable integrated energy service provider by making unremitting efforts to lead the Group to a new height.

APPRECIATION

In 2021, while the global pandemic continued to evolve, the external environment became more complex, and the domestic economy continued to recover although certain regions were still unstable and unbalanced. Meanwhile, the new COVID-19 variants were found in various areas in the PRC. The determination and efforts of our staffs were indispensable for the pandemic control and recovery of the safe and stable supply of city gas. I would like to express my sincere gratitude to them. The valuable contributions made by every member of the Group to its development and their fulfillment of corporate social responsibility was deeply appreciated. Finally, I would like to express my appreciation to all shareholders and customers of the Group for their long-term support and trust to the Group. The pandemic will end and dawn will arrive eventually. The Group will also continue to make progress and contribute significantly to society and the public.

Wang Wenliang
Chairman
Hong Kong

28th March, 2022

CEO MESSAGE

To our valued shareholders,

On behalf of the board of directors and fellow staff, I am pleased to present our annual results for the year ended 31st December, 2021 (the "Year").

In 2021, the global demand and supply patterns of natural gas were severely impacted by the lingering risk of the global outbreak of the COVID-19 pandemic and the frequent extreme weather events. While the gas price volatility has significantly intensified, it has presented both opportunities and challenges for the development of the domestic natural gas market. 2021 marked the opening year of the 14th Five-Year Plan and also the first year of "dual carbon goals" – peak in carbon emissions and carbon neutrality. Against such backdrop, the PRC government has issued a series of new policies to promote environmental protection such as "Proposal of Modifying the Mechanism of Double Control on Energy Consumption Intensity and Volume" (《完善能源消費強度和總量雙控制度方案》) and "Action Plan for Peak Carbon Emissions by 2030" (《2030年前碳達峰行動方案》), all the while promoting environmental policies such as the "coal-to-gas" conversion and the "Three-Year Action Plan for Winning the Blue Sky War" (打贏藍天保衛戰三年行動計劃) and other environmental pollution control plans. The natural gas industry has remained prosperous and also brought business opportunities to the Group. As of 31st December, 2021, the Group had 73 gas projects with concession rights across 10 provinces, and served approximately 21,242 industrial and commercial customers as well as 4.36 million residential households. The total natural gas volume sold by the Group also increased by 25.9% year-on-year to 2,818,012,000 m^3 in 2021, achieving a set of record-high results.

RESULTS

For the year ended 31st December, 2021, the Group recorded a turnover of HK$11,344,500,000, representing a growth of 32.8% year-on-year (2020: HK$8,543,710,000). The growth in turnover was mainly driven by the increase in gas volume sold. The overall gross profit of the Group increased from HK$1,947,017,000 in 2020 to HK$2,188,937,000. Profit attributable to owners of the Group increased by 12.5% year-on-year to HK$1,188,997,000 (2020: HK$1,056,617,000).

BUSINESS REVIEW

According to the latest data released by the National Bureau of Statistics of China, the economic growth of the PRC in 2021 was 8.1%. The apparent natural gas consumption of the PRC in 2021 amounted to 372.6 billion m^3, representing an increase of 12.7% year-on-year according to the National Development and Reform Commission of China. Driven by the stabilised prevention and control against the COVID-19 pandemic in general and the sustained economic recovery in the PRC, coupled with the "dual carbon goals", extreme weather events and other factors, the domestic natural gas market demand grew rapidly and natural gas consumption maintained a high growth rate. Under these favourable operating conditions, the Group has achieved multiple milestones during the Year.

For the Year, the Group's three major business segments, namely sales of gas, gas pipeline construction and connection, and value-added services, contributed 81.9%, 11.7% and 4.1% of the Group's turnover in 2021, respectively.

Sales of gas remained the largest contributor to the Group in 2021, reaching HK$9,290,532,000 in sales with a growth of 50.1% year-on-year. The growth in business was mainly contributed by the Group's successful implementation of client diversification strategy among residential households and industrial and commercial customers. Industrial and commercial users, especially those strong market players with high gas usage, will continue to be the Group's core focus in this segment.

Following the Group's efforts in the past years, the penetration of gas connection in its covered area has reached a relatively high level. Accordingly, the Group has been more selective and cautious in acquiring new customers for gas connection to maintain a satisfactory level of profitability, cash flow and receivables. For the Year, the total number of users of new piped gas connections amounted to 384,298. As the Group continued to expand its coverage, the Group's total existing intermediate and main pipelines increased from 25,456 km to 26,399 km, representing a 3.7% increase in length.

The value-added services provided by its own offline retail brand "Zhongyu Phoenix" (中裕鳳凰) and online retail platform "Zhongyu iFamille" (中裕i家) have been an effective channel for the Group to enrich the business ecology and effectively increase customer stickiness. During the Year, the Group has placed additional resources to strengthen the market share of its retail branding by expanding product portfolio and enhancing brand recognition. Turnover for the Year from value-added services amounted to HK$464,507,000. The Group will continue to promote and enhance development of its value-added services. Its product and service offerings include sales of gas stoves, gas cooking appliances, wall hung boilers and insurance services. The Group sees enormous potentials to explore the market by leveraging the existing residential customer portfolio.

The Group has been actively expanding over the years. In 2021, the Group's city gas pipeline business covered 10 provinces, namely Henan, Shandong, Hebei, Jiangsu, Anhui, Heilongjiang, Jilin, Fujian, Zhejiang and Inner Mongolia. By capturing opportunities arising from the energy reform in the PRC, the Group also endeavors to expand its sales of natural gas and accelerates its development of smart energy and distributed energy businesses based on customers' diversified energy needs, particularly industrial users with high energy usage. The Group believes that smart energy and distributed energy businesses would not only diversify the Group's revenue sources, but also become an important business model of its integrated energy services. During the Year, the Group selected new projects in a more cautious manner and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments.

PROSPECTS

Stepping into 2022, as the COVID-19 pandemic is gradually brought under control and the construction of the new development pattern of "dual circulation" gathers pace, the economy of the PRC is expected to maintain a steady yet progressive development in an effort to achieve high-quality economic development. With the recovery of various industries, gas consumption will constantly increase in pursuit of the "dual carbon goals", and the outlook of gas industry is expected to be even more promising.

Moreover, the implementation of the "dual carbon goals" will usher in greater development opportunities for the domestic natural gas industry. The China Oil & Gas Piping Network Corporation has officially commenced operation after a substantial asset transfer. The formation of the "X+1+X" structure in the natural gas industry is expected to promote a multi-entity and multi-channel supply of upstream oil and gas resources and a unified pipeline network in the midstream, and to open up a flexible and efficient downstream market. Coupled with the ongoing construction of the China-Russia natural gas pipeline, it is expected that the natural gas market in the PRC will continue to grow in the upcoming years with abundant supply and at more affordable costs.

In the crucial year of the 14th Five-Year Plan and the year of implementing the "dual carbon goals", the energy structure of the PRC will be further upgraded, while green energy has become a development trend, and natural gas reform will be gradually deepened. To embrace the opportunities arising from the energy upgrade of the PRC, and leverage its core advantages in city gas operation, the Group will capture these opportunities by implementing the following key strategies in the coming year:

(i) seize opportunities arising from polices such as "comprehensively promoting rural revitalisation", "strengthening the construction of energy production, supply, storage and sales systems" and "accelerating the promotion of energy technology innovation" to accelerate the transformation and development of the Group;

(ii) intensify development in fields of smart energy and renewable energy, and promote parallel development of existing natural gas business and smart energy business;

(iii) continue to expand the scale of urban pipeline business and deepen its penetration in covered areas to achieve greater scale of economic benefits;

(iv) enrich the product and service portfolio of the Group's own brand, "Zhongyu Phoenix" (中裕鳳凰), for value-added business and explore capital increase business and new retail segments for the purpose of generating revenue and increasing efficiency;

(v) continue its businesses such as distributed energy, diversified energy supply, construction and operation of microgrid, supply chain of smart and clean energy, zero-carbon and smart industrial park, clean and smart transportation, clean energy microgrid and energy storage and energy saving service, advisory design and construction business, and optimize the energy efficiency for the purpose of reducing costs and increasing efficiency; and

(vi) enhance the Group's trading business to secure gas sources and expand business reach, and accelerate the transformation and upgrade of product, operation and strategy.

2022 is the second year of the 14th Five-Year Plan. Being in such momentous period, despite the uncertainties of the macro-economic environment in the future, riding on the ongoing reform of the national energy system and the continuous growth of the gas industry as well as the historical opportunities brought by the "dual carbon goals", the Group expects to capture these significant opportunities to expand business ecology, boost operating revenue and strive to become one of the most valuable and competitive integrated smart energy service providers in the PRC.

Lui Siu Keung
Chief Executive Officer

28th March, 2022

OPERATIONAL STATISTICS

Province	Operational location	Connectable Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
Henan	Jiaozuo City	1,623,958	463,988	374,767	148	1,408	1,759	8
	Qinyang City	458,293	130,941	98,111	75	303	785	1
	Wuzhi County	699,905	199,973	94,261	80	276	1,025	1
	Xiuwu County	251,007	71,717	49,794	89	282	632	4
	Luohe City	2,092,854	597,958	484,067	204	1,750	1,379	4
	Light Food Industrial Park in Luohe Economic Development District	–	–	–	10	–	–	–
	Luohe Shaoling District	–	–	–	18	–	–	–
	Luohe Songjiang Industrial Zone	–	–	–	15	–	–	–
	Luohe Houxie Village Industrial Zone	–	–	–	–	–	–	–
	Luohe West Industrial Zone	–	–	–	–	–	–	–
	Venture Centre in Luohe Economic Development District	–	–	–	15	–	40	–
	Xiping County	32,800	9,372	–	–	–	–	–
	Jiyuan City	979,285	279,796	206,472	243	1,698	1,389	4
	Sanmenxia City	650,357	185,816	170,790	78	872	1,542	4
	Shanzhou District	53,000	15,143	–	–	–	–	–
	Sanmenxia Industrial Park	–	–	–	7	–	–	–
	Lingbao City	230,118	65,748	36,282	34	216	406	–
	Yanshi City	346,441	98,983	80,433	224	279	784	2
	Yongcheng City	867,256	247,788	204,522	56	736	743	4
	Yongcheng Industrial Zone	35,000	10,000	–	1	–	–	–
	Xinmi City	591,564	169,018	140,828	104	600	866	5
	Huiguo Town, Gongyi City	23,885	6,825	5,606	60	36	136	–
	Yuanyang County	234,310	66,946	8,742	3	2	81	–
	Hui County	59,102	16,886	7,064	1	1	–	–
	Wen County	548,143	156,612	81,572	150	353	605	–
	Mengzhou	493,306	140,944	89,342	247	422	475	–
	Puyang Industrial Zone	1,887	539	526	65	11	162	–
	Puyang Administrative Region	385,331	110,094	66,318	27	150	2,324	–
Hebei	Sanshuitou Town, Yangjiatao Town, Hongqiao Town and Guojiatun Town of Yutian County	219,283	62,652	27,304	22	12	54	–
	Administrative jurisdiction of Gucheng County	369,872	105,678	76,181	34	15	1,077	–
	Within the operation area of Xinhe County	130,000	37,143	5,606	20	60	133	–
	Yutian County	284,800	81,371	88,186	25	287	276	–
	Yutian Town and Caitingqiao Town, Yutian County	105,200	30,057	–	–	–	46	–
	Changli County	239,070	68,306	65,268	69	290	337	–
	Weixian County	149,100	42,683	48,280	7	91	215	–
	Weixian Economic Development Zone	3,000	940	–	–	–	–	–
	Xiahuayuan District	118,352	33,815	39,843	–	128	136	–
	Chengan County	539,864	154,246	54,323	12	68	261	–
	Wuqiao County	263,516	75,290	38,661	43	109	534	–

Province	Operational location	Connectable Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
	Ningjin County	520,000	148,571	108,172	104	397	584	–
	Linzhang County	262,780	75,080	79,232	32	121	507	1
	Zaoqiang County	380,000	108,572	34,628	5	175	213	–
	Longyao County	23,907	6,831	6,304	–	86	39	–
	Xingtang County	86,551	24,729	21,580	1	75	134	–
	City district of Gucheng	314,350	89,814	40,863	44	379	488	–
	Nangong City	648,570	171,534	131,247	2	148	576	–
	Jize County	122,400	34,971	18,172	24	84	160	–
	Xinhe County	250,618	71,605	42,163	35	134	344	–
	Xingtai	675,000	192,857	12,696	15	42	26	–
Jiangsu	Jingqiao Town, Nanjing City	50,711	14,489	1,024	10	4	–	–
	Donghai County	58,135	16,610	2,181	30	11	73	–
	Sihong County	35,304	10,087	4,320	33	2	522	–
	Guannan County	302,155	86,330	74,447	–	389	319	–
	Suqian Zhongyu Hong Cheng	466,088	133,168	13,168	13	3	–	–
	Tongshan	260,000	74,286	81,378	–	222	60	–
	Within the jurisdiction of City district of Sihong County	486,000	138,857	146,900	50	529	635	–
Shandong	Linyi City (Note)	1,762,796	503,656	415,513	433	1,976	1,207	14
	Linyi Economic Development District	386,186	110,339	90,906	259	373	720	4
	Linshu County	10,862	3,103	2,285	96	33	238	2
	Tianqu Industrial Park in Dezhou City	–	–	–	33	22	92	1
Jilin	Baishan City	369,639	105,611	113,740	12	889	330	2
	Changbaishan International Tourist Resort Zone in Fusong County	166,419	47,548	7,805	9	124	132	–
	Lushuihe Town and Quanyang Town within the administrative divisions of Fusong County	60,000	17,142	–	–	–	–	–
	Within the administrative jurisdiction of Wan Liang Zhen of Fusong County (including the Industrial Park)	16,900	4,830	–	–	–	–	–
Fujian	Shaowu City	269,284	76,938	48,816	12	269	128	2
Heilongjiang	Chengqu Town, Tieli City	240,748	68,785	22,801	14	151	131	–
	Current administrative jurisdiction of Shuangfeng Forestry Bureau, Tieli City	62,000	17,714	–	–	–	–	–
Zhejiang	Within the administrative jurisdiction of Daishan Island and Xiushang Township	65,369	18,677	22,458	30	60	83	1
	Yueqing City	39,029	11,151	8,733	7	39	86	–
Inner Mongolia	Balinyou Qi	72,566	20,733	–	–	–	1	–
Anhui	Bang Bu Hong Yu	35,000	10,000	–	–	–	–	–
	Wuhe County	241,500	69,000	95,381	21	334	210	–
	Sixian County	186,037	53,153	67,262	9	197	159	–
		22,006,763	**6,274,039**	**4,357,324**	**3,519**	**17,723**	**26,399**	**64**

Note: The operational location covers the administrative jurisdiction of Linyi City, which is from Binhe Road on the west bank of Yihe River in the east to Beijing–Shanghai Expressway in the west, bordering Binhe Road on the south bank of Fanghe River in the north and reaching Yihe Road, Luozhuang District in the south (excluding western part beyond Mengshan Avenue and southern part beyond Huawu Road).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During the year ended 31st December, 2021, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; (ii) development of smart energy; (iii) sales of stoves and provision of other related value-added services; and (iv) the operation of CNG/LNG vehicle filling stations in the PRC.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2021, the Group had 73 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession rights to operate 2 additional natural gas projects in Jilin Province and Inner Mongolia.

New CNG/LNG Vehicle Filling Stations Expansion

During the financial year ended 31st December, 2021, no new CNG vehicle filling station was put into operation.

SMART ENERGY BUSINESS DEVELOPMENT

With the reform of the domestic energy market and the national strategy emphasizing "green development" and "clean and low-carbon, safety and efficiency", environmental protection policies and "dual carbon goals (carbon peak and neutrality)" have become one of the biggest driving forces for the Group to develop clean energy projects. The Group has established the "one body, three wings" business layout strategy in early 2020, with "city gas" as the "body" and "value-added business and new retail", "smart energy" and "energy trading" as its "wings", and strives to become the most valuable integrated energy service provider in the PRC. In 2021, a series of new energy policies and rural energy transformation policies were launched successively in various regions, creating opportunities for the smart energy group to develop diversified businesses such as distributed energy, photovoltaic rooftop and charging stations. In line with the countywide rooftop distributed photovoltaic development pilot work issued by the National Energy Administration, the Company's subsidiaries signed framework agreements on the promotion of countywide rooftop distributed photovoltaic

project with several local governments to expand its smart energy business map relying on its own advantages in the gas project concession area. During the year, the Group steadily promoted the development of integrated energy business and the cumulative number of projects in operation reached 43. The Group also actively sought to increase its market share in the clean transportation energy market. The sale of electricity throughout the year increased by 90.5% to 21.74 million kWh as compared with the same period of last year.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of gas, gas pipeline construction and sales of natural gas from CNG/LNG vehicle filling stations.

The major operational data of the Group for the year ended 31st December, 2021 together with the comparative figures for the corresponding period last year are as follows:

	2021	2020	Increase/ (Decrease)
Number of operational locations *(Note a)*	**73**	72	1
– Henan Province	**28**	28	–
– Hebei Province	**21**	21	–
– Jiangsu Province	**7**	7	–
– Shandong Province	**4**	4	–
– Jilin Province	**4**	3	1
– Fujian Province	**1**	1	–
– Heilongjiang Province	**2**	2	–
– Zhejiang Province *(Note e)*	**2**	3	(1)
– Anhui Province	**3**	3	–
– Inner Mongolia	**1**	–	1
Connectable population ('000) *(Note b)*	**22,007**	20,368	8.0%
Connectable residential households ('000)	**6,274**	5,806	8.1%
New piped gas connections by the Group made during the year			
– Residential households	**381,876**	461,807	(17.3)%
(i) "Coal-to-gas" projects	**91,074**	224,927	(59.5)%
(ii) Non "Coal-to-gas" projects	**290,802**	236,880	22.8%
– Industrial customers	**312**	275	13.5%
– Commercial customers	**2,110**	1,875	12.5%
Accumulated number of connected piped gas customers			
– Residential households	**4,357,324**	3,956,342	10.1%
– Industrial customers	**3,519**	3,207	9.7%
– Commercial customers	**17,723**	15,570	13.8%
Penetration rate of residential pipeline connection *(Note c)*	**69.5%**	68.1%	1.4%
Unit of piped natural gas sold ('000 m^3)	**2,518,128**	2,024,914	24.4%
– Residential households	**649,115**	602,455	7.7%
– Industrial customers	**1,442,913**	1,188,152	21.4%
– Commercial customers	**145,802**	128,209	13.7%
– Wholesale customers	**280,298**	106,098	164.2%

	2021	2020	Increase/ (Decrease)
Unit of LNG sold ('000 m³)			
– Wholesale customers	**231,653**	140,169	65.3%
Number of CNG/LNG vehicle filling stations			
– Accumulated	**64**	64	–
– Under construction	**7**	7	–
Unit of natural gas sold to vehicles ('000 m³)	**68,230**	73,919	(7.7)%
Total length of existing intermediate and main pipelines (km)	**26,399**	25,456	3.7%
Average selling price of natural gas (pre-tax) (RMB per m³)			
– Residential households	**2.49**	2.44	2.0%
– Industrial customers	**2.95**	2.58	14.3%
– Commercial customers	**3.34**	3.08	8.4%
– Wholesale customers	**2.19**	2.12	3.3%
– Wholesale customers (LNG)	**3.07**	2.22	38.3%
– CNG/LNG vehicle filling stations	**3.18**	2.76	15.2%
Average purchase cost of natural gas (RMB per m³) *(Note d)*	**2.33**	2.06	13.1%
Average connection fee for residential households (RMB)			
– "Coal-to-gas" projects	**2,945**	2,690	9.5%
– Non "Coal-to-gas" projects	**2,495**	2,555	(2.3)%
Accumulated number of integrated energy projects in operation	**43**	17	152.9%
Sales volume of integrated energy (million kWh)	**21.74**	11.41	90.5%

Note a: *The number of operational locations represents the gas projects with exclusive rights which are operated by the Group in different cities and regions in the PRC.*

Note b: *The information is quoted from the website of the PRC government.*

Note c: *The penetration rate of residential pipeline connection refers to the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions expressed in percentages.*

Note d: *The amounts do not include the average distribution costs of natural gas, which is RMB0.17 per m³ (2020: RMB0.21 per m³).*

Note e: *Decrease in 1 concession right in Zhejiang Province due to the combination of existing concession rights into one during the year.*


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Overall

The Group's turnover for the year ended 31st December, 2021 increased by 32.8% to HK$11,344,500,000 (2020: HK$8,543,710,000). The gross profit increased to HK$2,188,937,000 (2020: HK$1,947,017,000) as a result of increased contribution from sales of gas. The Group's profit attributable to owners of the Company increased by 12.5% to HK$1,188,997,000 (2020: HK$1,056,617,000). The basic and diluted earnings per share attributable to the owners of the Company were HK44.20 cents and HK44.14 cents respectively for the year ended 31st December, 2021, as compared with that of HK39.95 cents and HK39.88 cents respectively for the corresponding period last year.

Non-HKFRS profit attributable to owners of the Company amounted to HK$963,347,000 (2020: HK$815,728,000). Non-HKFRS basic and diluted earnings per share attributable to the owners of the Company for the period under review were HK35.81 cents (2020: HK30.84 cents) and HK35.76 cents (2020: HK30.79 cents) respectively.

Turnover

An analysis of the Group's turnover by products and services for the year, together with the comparative figures for the corresponding period last year, are as follows:

	Year ended 31st December,				
	2021	**% of total**	2020	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Sales of Gas	**9,290,532**	**81.9%**	6,190,069	72.5%	50.1%
Revenue from Gas Pipeline Construction	**1,327,942**	**11.7%**	1,488,639	17.4%	(10.8)%
Value-added Services	**464,507**	**4.1%**	635,951	7.4%	(27.0)%
Sales of CNG/LNG in Vehicle Filling Stations	**261,519**	**2.3%**	229,051	2.7%	14.2%
Total	**11,344,500**	**100%**	8,543,710	100%	32.8%

The turnover for the year ended 31st December, 2021 amounted to HK$11,344,500,000 (2020: HK$8,543,710,000). The increase in revenue from sales of gas was partially offset by the decline in revenue from gas pipeline construction and valued-added services.

Sales of gas

Sales of gas for the year ended 31st December, 2021 amounted to HK$9,290,532,000 (2020: HK$6,190,069,000), representing an increase of 50.1% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2021 contributed 81.9% of the total turnover of the Group, as compared with 72.5% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of revenue from sales of gas by customers.

Sales of gas by customers:

	Year ended 31st December,				
	2021	**% of total**	2020	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Industrial customers	**5,155,944**	**55.5%**	3,483,170	56.3%	48.0%
Residential households	**1,950,373**	**21.0%**	1,660,387	26.8%	17.5%
Commercial customers	**587,074**	**6.3%**	444,477	7.2%	32.1%
Wholesale customers	**1,597,141**	**17.2%**	602,035	9.7%	165.3%
Total	**9,290,532**	**100%**	6,190,069	100%	50.1%

Industrial customers

The sales of gas to the Group's industrial customers for the year ended 31st December, 2021 increased by 48.0% to HK$5,155,944,000 from HK$3,483,170,000 for the corresponding period last year. During the year ended 31st December, 2021, the Group connected 312 new industrial customers. In 2021, global economy gradually recovered and certain social distancing measures were relaxed after the worldwide rollout of COVID-19 vaccine. Benefiting from effective pandemic prevention and control, domestic consumption in the PRC rebounded and the demand for natural gas boosted. During the year under review, the piped natural gas usage provided by the Group to its industrial customers increased by 21.4% to 1,442,913,000 m^3 (2020: 1,188,152,000 m^3).

The sales of gas to our industrial customers for the year ended 31st December, 2021 contributed 55.5% of the total sales of gas of the Group (2020: 56.3%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the year ended 31st December, 2021 increased by 17.5% to HK$1,950,373,000 from HK$1,660,387,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by the increase in construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. Since the outbreak of the COVID-19 pandemic, people developed new lifestyle and spent more time at home both working and learning. Furthermore, China experienced an extremely cold winter in 2021, which increased the gas consumption of residential households for indoor heating as well. During the year under review, the Group provided new natural gas connections for 381,876 residential households and the piped natural gas usage provided by the Group to residential households increased by 7.7% to 649,115,000 m^3 (2020: 602,455,000 m^3). After years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter.

The sales of gas to our residential households for the year contributed 21% of the total sales of gas of the Group (2020: 26.8%).

Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2021 increased by 32.1% to HK$587,074,000 from HK$444,477,000 for the corresponding period last year. The sales of gas to commercial customers for the year contributed 6.3% of the total sales of gas of the Group (2020: 7.2%). During the year ended 31st December, 2021, the Group connected 2,110 new commercial customers. As at 31st December, 2021, the number of commercial customers of the Group reached 17,723, representing an increase of 13.8% as compared with 15,570 commercial customers as at 31st December, 2020.

The demand for gas from commercial customers were adversely impacted during the COVID-19 pandemic in 2020. But such demand rebounded in 2021 in the wake of the re-opening of restaurants, schools and recreational facilities. The gas consumption of commercial customers increased by 13.7% to 145,802,000 m^3 (2020: 128,209,000 m^3) for the year under review.

Wholesale Customer

The sales of gas to our wholesale customers for the year ended 31st December, 2021 increased by 165.3% to HK$1,597,141,000 from HK$602,035,000 for the corresponding period last year. The sales of gas to wholesale customers for the year contributed 17.2% of the total sales of gas of the Group (2020: 9.7%).

During the period under review, piped natural gas usage provided by the Group to its wholesale customers increased by 164.2% to 280,298,000 m^3 (2020: 106,098,000 m^3), benefiting from the Group's good reputation and stable gas supply records.

During the period under review, the LNG provided by the Group to its wholesale customers increased by 65.3% to 231,653,000 m^3 (2020: 140,169,000 m^3).

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2021 amounted to HK$1,327,942,000, representing a decrease of 10.8% over the corresponding period last year. The following table set forth the breakdown of revenue from gas pipeline construction by customers.

Revenue from gas pipeline construction by customers

	Year ended 31st December,				
	2021 **HK$'000**	**% of total**	2020 HK$'000	% of total	Increase/ (Decrease)
Residential households					
– "Coal-to-gas" projects	**323,099**	**24.3%**	680,442	45.7%	(52.5)%
– Non "Coal-to-gas" projects	**874,040**	**65.8%**	680,603	45.7%	28.4%
Non-residential customers	**130,803**	**9.9%**	127,594	8.6%	2.5%
Total	**1,327,942**	**100%**	1,488,639	100%	(10.8)%

In 2017, the PRC government launched the "coal-to-gas" policy as one of its major priorities to fight against air pollution. The Group has followed the "coal-to-gas" conversion policy and carried out a number of conversion projects in different regions of the PRC. The Group carefully selected new projects and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments. In 2021, the decline in government-sponsored projects available caused a drop in connections made by the Group. The revenue from gas pipeline construction for residential households for "coal-to-gas" projects for the year ended 31st December, 2021 decreased by 52.5% to HK$323,099,000 from HK$680,442,000 for the corresponding period last year. During the year ended 31st December, 2021, the Group provided new natural gas connections for 91,074 residential households (2020: 224,927) under "coal-to-gas" projects and the average connection fee was RMB2,945 (2020: RMB2,690).

During the year ended 31st December, 2021, revenue from gas pipeline construction for residential households for non "coal-to-gas" projects increased by 28.4% to HK$874,040,000 from HK$680,603,000 for the corresponding period last year. The growth was mainly attributable to the increase in construction work for gas pipeline connection completed by the Group for residential households for non "coal-to-gas" projects to 290,802 from 236,880 for the corresponding period last year. The average connection fee slightly dropped to RMB2,495 in 2021 from RMB2,555 in 2020.

Despite the reduction in average connection fee for residential households in 2021, the gross profit margin for gas pipeline construction remained relatively stable at 72.3%.

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the year ended 31st December, 2021, revenue from gas pipeline construction for non-residential customers increased by 2.5% to HK$130,803,000 from HK$127,594,000 for the corresponding period last year.

As at 31st December, 2021, the Group's penetration rates of residential pipeline connection amounted to 69.5% (2020: 68.1%) (calculated by the accumulated number of the Group's connected residential households over the estimated aggregate number of connectable residential households in regions it operates in and expressed in percentages). In view of the favourable energy policies in the PRC, the Group is aiming to continue to increase its market coverage by acquisitions when suitable opportunities arise.

Value-added Services

Value-added services represents smart energy business and sales of stoves and provision of other related services. Revenue from value-added services for the year ended 31st December, 2021 amounted to HK$464,507,000 (2020: HK$635,951,000), representing a decrease of 27.0% over the corresponding period last year. It contributed 4.1% of the total turnover of the Group, as compared with the percentage of 7.4% during the corresponding period last year. The following table set forth the breakdown of revenue from value-added services by type.

	Year ended 31st December,				
	2021 *HK$'000*	**% of total**	2020 *HK$'000*	% of total	Increase/ (Decrease)
Smart Energy	**38,442**	**8.3%**	36,534	5.7%	5.2%
Sales of stoves and provision of other related services	**426,065**	**91.7%**	599,417	94.3%	(28.9)%
Total	**464,507**	**100%**	635,951	100%	(27.0)%

Smart energy

Revenue from smart energy for the year ended 31st December, 2021 increased by 5.2% to HK$38,442,000 from HK$36,534,000 for the corresponding period last year. Taking on the advantages of huge market and customer base of its gas projects, the Group is currently establishing an extensive network of new businesses in China, including natural gas-fired distributed energy, photovoltaic power generation and charging stations. It seeks to comprehensively utilise energy with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy that addresses their needs for gas, heating, electricity and cooling. The smart energy business contributed 8.3% (2020: 5.7%) of the total revenue from value-added services of the Group for the year ended 31st December, 2021. The Group will continuously explore the operation model of energy business, and promote the expansion of energy projects to meet the diversified energy demand of customers.

Sales of stoves and provision of other related services

Since 2017, the Group placed greater efforts in value-added services such as sales of stoves and related equipment, which involves the sales of safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall-hang boilers under its own brand name, "Zhongyu Phoenix" (中裕鳳凰), to residential customers. Revenue from sales of stoves and provision of other related services for the year ended 31st December, 2021 decreased by 28.9% to HK$426,065,000 from HK$599,417,000 for the corresponding period last year. The decrease was mainly due to a decrease in the sales of wall-hang boilers and radiators by 52.2% to HK$159,683,000 from HK$334,025,000 for the corresponding period last year, as a result of reduced number of "coal-to-gas" projects. During the year ended 31st December, 2021, other than sales of wall-hang boilers and radiators, revenue from sales of stoves and provision of other related services amounted to HK$266,382,000 (2020: HK$265,392,000), representing a growth of 0.4% as compared to the corresponding period last year. With the increasing number of connected residential customers and brand recognition built in recent years, as well as the establishment of the online shopping platform "Zhongyu iFamille" (中裕i家), the independent supply platform, customer service platform and customer online community, the value-added services is expected to contribute stable revenue to the Group.

The sales of stove and provision of other related services for the year ended 31st December, 2021, contributed 91.7% (2020: 94.3%) of the total revenue from value-added services of the Group.

Sales of CNG/LNG in Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2021 amounted to HK$261,519,000, representing an increase of 14.2% compared to the corresponding period last year. The unit of natural gas sold to vehicles declined by 7.7% to 68,230,000 m^3 (2020: 73,919,000 m^3) for the year ended 31st December, 2021.

During the year ended 31st December, 2021, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 2.3% (2020: 2.7%) of the total turnover of the Group. As at 31st December, 2021, the Group had 64 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2021 was 19.3% (2020: 22.8%). The decline in overall gross profit margin for the year ended 31st December, 2021 was mainly due to decrease in the proportion of revenue from pipeline construction to total turnover.

The gross profit margin for the sales of piped natural gas increased to 11.4% (2020: 10.4%) as the increment of average selling price of natural gas for industrial and commercial customers outweighed the increment of average purchase cost of natural gas. The Group's energy trading business has been strengthened to secure stable gas supply from different sources and contracts have been signed with suppliers to secure more piped gas supply with lower average cost. The gross profit margin for gas pipeline construction remained stable at 72.3% for the year under review (2020: 75.6%). The gross profit margin for value-added services increased to 64.3% (2020: 37.6%) due to a reduction in the sales of low-gross-profit-margin wall-hang boilers and an increase in the value added services fee and selling price of other gas applicants. The gross profit margin for the sales of CNG/LNG in vehicle filling stations increased to 3.4% (2020: -0.6%) as a result of increase in average selling price of CNG/LNG sold in vehicle refilling station.

Other gains and losses

The Group recognised other net gains of HK$220,525,000 in 2021 (2020: other net gains of HK$546,449,000). The amount was mainly derived from net foreign exchange gain of HK$224,472,000 (2020: gain of HK$557,522,000), mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the appreciation of RMB in 2021.

Every year, the Group performs impairment assessment under expected credit loss model according to HKFRS 9 on trade receivables and contract assets based on provision matrix except for the debtors with credit-impaired balances which are assessed individually. During the year ended 31st December, 2021, the Group made a reversal of HK$1,835,000 on contract assets (2020: an impairment of HK$13,200,000 and HK$25,534,000 on contract assets and trade receivables respectively) in consideration of the likelihood of recovery of those aged receivables. In addition, the Group recognised HK$657,000 (2020: HK$12,625,000) impairment loss allowance on other receivables, based on the individual assessment of the recoverability of the relevant receivables. The amount was considered as credit-impaired and full provision has been made.

Other income

Other income increased to HK$148,161,000 in 2021 from HK$107,743,000 in 2020. The balance in 2021 represented bank interest income of HK$10,138,000 (2020: HK$7,819,000), interest income on amount due from an associate of HK$3,229,000 (2020: HK$3,957,000), interest income from loans to employees of HK$23,319,000 (2020: HK$24,213,000), government subsidies of HK$67,963,000 (2020: HK$45,150,000), income from investments in life insurance contracts of HK$1,897,000 (2020: HK$2,802,000) and sundry income of HK$41,615,000 (2020: HK$23,802,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 25% to HK$246,598,000 in 2021 from HK$197,315,000 in 2020. Administrative expenses increased by 26.6% to HK$590,154,000 in 2021 from HK$466,071,000 in 2020. The increase was mainly attributable to (i) increased staff costs and related expenses as a result of increased number of headcount and increased social security contribution; (ii) increased commission expenses for value-added services; (iii) consultancy fee paid for system updates and integration of new IT systems; and (iv) additional depreciation expenses arisen from the revaluation of pipelines in 2020.

Finance costs

Finance costs decreased by 25.9% to HK$189,627,000 in 2021 from HK$255,849,000 in 2020. The decrease was mainly attributable to reduction of effective interest rate.

Income tax expenses

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both years.

Under the EIT Law of the PRC, withholding tax is levied on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2020, withholding tax amounting to HK$7,279,000 was levied by the PRC tax authority on the dividends paid to overseas group entities in the previous and current years.

Accordingly, the income tax expenses in 2021 amounted to HK$318,859,000 (2020: HK$302,194,000).

Non-HKFRS EBITDA

For the purposes of this report, non-HKFRS EBITDA is defined as earnings from continuing operations before finance costs, taxation, depreciation, amortisation, foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses. Non-HKFRS EBITDA is a non-HKFRS measure used by the management for monitoring the performance of the core business of the Group. The Company considers that the non-HKFRS EBITDA can provide shareholders and potential investors of the Company with useful supplementary information on the performance of the Group's core operations. Foreign exchange gain/loss and share option expenses are considered not directly resulting from the actual business activities of the Group. They, together with the impairment losses/reversal of impairment losses, are non-cash items which we do not believe are reflective of the core operating performance of the Group. The non-HKFRS EBITDA may not be comparable to similar measures presented by other companies.

The Group's non-HKFRS EBITDA was approximately HK$2,079,049,000 for the year ended 31st December, 2021, representing an increase of 9.6% as compared with that of approximately HK$1,897,378,000 for the corresponding period last year.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK$1,188,997,000 in 2021, representing an increase of 12.5% as compared with that of HK$1,056,617,000 in 2020.

Excluding the net foreign exchange gain of HK$224,472,000 (2020: gain of HK$557,522,000) and reversal of impairment loss of HK$1,178,000 (2020: impairment losses of HK$316,633,000), non-HKFRS profit attributable to owners of the Company would amount to HK$963,347,000 (2020: HK$815,728,000). Similar to the non-HKFRS EBITDA, the non-HKFRS profit attributable to owners of the Company is a non-HKFRS measure used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net profit margin

For the year ended 31st December, 2021, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 10.5% (2020: 12.4%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK44.20 cents and HK44.14 cents respectively in 2021, as compared with that of HK39.95 cents and HK39.88 cents respectively in 2020.

The non-HKFRS basic and diluted earnings per share attributable to the owners of the Company (calculated by reference to the non-HKFRS profit attributable to owners of the Company which excludes the net foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses, if any, as the numerator) for the year ended 31st December, 2021 were HK35.81 cents (2020: HK30.84 cents) and HK35.76 cents (2020: HK30.79 cents) respectively. Similar to the non-HKFRS EBITDA, the non-HKFRS basic and diluted earnings per share attributable to the owners of the Company are non-HKFRS measures used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$3.22 as at 31st December, 2021, representing an increase of 41.9% as compared with that of HK$2.27 as at 31st December, 2020.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Treasury Management and Cash Funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing.

Liquidity

As at 31st December, 2021, the total assets of the Group increased by HK$3,038,441,000 or 12.9% to HK$26,672,864,000 (2020: HK$23,634,423,000).

As at 31st December, 2021, the Group has net current liabilities of HK$1,318,166,000 (2020: HK$4,915,911,000). Decrease in net current liabilities was mainly due to decrease in borrowings due within one year.

As at 31st December, 2021, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.8 (2020: 0.6).

As at 31st December, 2021, the total borrowings and lease liabilities decreased by HK$274,987,000 or 2.4% to HK$11,342,536,000 (2020: HK$11,617,523,000).

As at 31st December, 2021, the Group had total net debts of HK$9,472,748,000 (2020: HK$9,868,471,000), measured as total borrowings and lease liabilities minus the bank balances and cash and pledged bank deposits. As at 31st December, 2021, the Group had net gearing ratio of approximately 1.00 (2020: 1.47), measured as total net debts to total equity of HK$9,516,998,000 (2020: HK$6,731,350,000). The decrease of net gearing ratio mainly due to the decrease of total borrowings and increase of total equity.

Financial resources and liquidity

During the year ended 31st December, 2021, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to US$593,000,000 in total were made available to the Group.

During the year ended 31st December, 2021, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2021, all of the bank and other borrowings were secured or unsecured and on normal commercial basis.

The Group's borrowings, principally denominated in RMB, which were outstanding as at 31 December 2021 amounted to approximately HK$3,438,581,000 (2020: HK$2,895,626,000). Bank borrowings amounting to approximately HK$9,463,048,000 (2020: HK$10,413,948,000) and approximately HK$1,857,932,000 (2020: HK$1,176,198,000) were carried at floating interest rate and fixed interest rate respectively.

Cash and cash equivalents held by the Group as at 31 December 2021 was approximately HK$1,573,192,000 (2020: HK$1,672,452,000), principally denominated in RMB.

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group's monetary assets and liabilities are principally denominated in either Renminbi ("RMB"), Hong Kong dollars or United States dollars and the Group conducted its business transactions principally in RMB. As a result of the appreciation of RMB since the second half of 2020, exchange gain arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the year. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB. As at 31st December, 2021, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2021, the Group had a total of 4,876 employees (2020: 4,683) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$592,971,000 (2020: HK$468,032,000). The growth was mainly due to the increase in the number of headcount of the Group and increase in society security contribution made by the Group in 2021 as PRC government waived part of employers' contribution in 2020 during the COVID-19 pandemic. Around 99.8% of the Group's employees are based in the PRC.

The Group's remuneration and bonus policies are determined based on the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

Share option scheme

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at 31st December, 2021, there was no share option outstanding under the Old Share Option Scheme.

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 3rd May, 2013 and will expire on 2nd May, 2023. Under the New Share Option Scheme, the Directors may offer to any employees or any eligible person, who has made or will make contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme. The exercise price is determined by the Directors, and shall not be less than the higher of (i) the closing price of the Company's shares on the date of grant which must be a business day; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The scheme mandate limit of the New Share Option Scheme is 252,400,768. As at 31st December, 2021, 126,730,800 share options were granted, 3,023,200 share options have lapsed in accordance with the terms of the New Share Option Scheme and the number of share options outstanding was 16,092,800. The maximum number of share options which may be granted under the New Share Option Scheme is 128,693,168. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.57% and 4.54% of the number of issued shares of the Company as at 31st December, 2021, respectively.

The movements of the Company's share options granted under the Old Share Option Scheme and the New Share Option Scheme during the year ended 31st December, 2021 are disclosed in the section headed "Share Option Scheme" in the Directors' Report.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2021, pledged bank deposits of RMB40,000,000 (equivalent to HK$48,924,000) (2020: RMB4,000,000 (equivalent to HK$4,753,000)) were used to secure the short-term general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS

During the year ended 31st December, 2021, save for events described in notes 21 and 38 to the consolidated financial statements, the Group did not conduct any significant investments, or material acquisitions or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2021, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2021, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the consolidated financial statements is HK$149,021,000 (2020: HK$281,354,000).

CONTINGENT LIABILITIES

As at 31st December, 2021, the Group did not have any contingent liabilities (2020: nil).

Executive Directors

Mr. Wang Wenliang, aged 51, is the Chairman of the Company. He was appointed as an executive Director on 10 July 2003 and is responsible for the overall strategic development of the Company and its subsidiaries (collectively the "Group"). Mr. Wang also serves as a director of certain other subsidiaries within the Group. Mr. Wang has held investments in various industries in the PRC including aluminium, property, and information technology. Mr. Wang was a deputy general manager of a company in Zhengzhou, People's Republic of China (the "PRC") (whose principal business is the manufacture and sale of aluminium products) between 1996 and 1999 and was a deputy general manager of a company in Henan Province, the PRC (whose principal business is property management and rental) between 1997 and 2000. Mr. Wang was also a president of a company in Henan Province, the PRC between 2000 and 2005, the principal business of which is the provision of software development, networking engineering services, sale of computer and peripheral products, and provision of internet services. Mr. Wang was an executive director of China Gas Holdings Limited between 17 January 2003 and 10 June 2003. Mr. Wang completed his postgraduate course in Finance in the Graduate School of Chinese Academy of Social Sciences in the PRC in June 2001. Mr. Wang is the sole shareholder, a chairman and director of Hezhong Investment Holding Company Limited ("Hezhong"), which is a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Yiu Chi Shing, aged 58, is the executive Director and Vice Chairman of the Company. He was appointed as an executive Director and Vice Chairman of the Company on 29th October, 2021. He holds a master's degree in Business Administration from Huaqiao University, PRC and a honorary Doctor of International Business from William Penn University, Iowa, USA. He is also qualified as a senior economist. Mr. Yiu is the Chairman of the board of directors of TransGlobal Group (International) Limited, a company principally engaged in real estate development and operation, financial investments, tourist resorts and the construction of bridges, roads and urban public utility infrastructure in Hong Kong and Mainland China. Mr. Yiu is a member of the National Committee of the Chinese People's Political Consultative Conference, the president of the Hong Kong Association for the Promotion of Peaceful Reunification of China, a member of the Election Committee of the HKSAR and a Justice of the Peace of the HKSAR. He is also awarded the Gold Bauhinia Star by the Government of the HKSAR.

Mr. Lui Siu Keung, aged 50, is the Chief Executive Officer and Company Secretary of the Company. He was appointed as an executive Director of the Company on 22 October 2007. Mr. Lui joined the Company in 2003 and is responsible for the general business operations and management. Mr. Lui also serves as a director of certain other subsidiaries within the Group. Mr. Lui has approximately twenty years of experience in corporate finance, accounting and auditing fields. He graduated from The Hong Kong Polytechnic University with a bachelor of arts degree in accountancy in November 1996. Mr. Lui is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui is an independent non-executive director of Dashan Education Holdings Limited (stock code: 9986).

Mr. Jia Kun, aged 51, is an executive Director of the Company. He was appointed as an executive Director on 25 February 2019. Mr. Jia graduated from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Law (中南政法學院)) and Cheung Kong Graduate School of Business (長江商學院). Mr. Jia holds a bachelor of laws degree and an EMBA degree. Mr. Jia has 8 years of judicial experience and 19 years of legal, risk management and administrative management experience. Mr. Jia previously served as head of office and chief executive officer of Henan Hezhong Group Company (河南和眾集團公司). Mr. Jia joined the Group in 2003 and currently serves as its executive president (執行總裁). Mr. Jia also serves as a director of certain other subsidiaries within the Group.

Mr. Lu Zhaoheng, aged 57, is an executive Director of the Company and is mainly responsible for the management of the Group's business in PRC. He was appointed as an executive Director on 24 June 2004. Mr. Lu also serves as a director of certain other subsidiaries within the Group. Mr. Lu is the National Registered Public Facilities Engineer and Senior Engineer. Mr. Lu graduated from 重慶建築工程學院 (The Architecture and Engineering Institute of Chongqing) specializing in Town Gas Thermal Engineering in 1984, and obtained a master degree in senior management of business administration from China Europe International Business School in 2017. Mr. Lu has accumulated more than thirty years of experience in the development and commercialisation of natural gas in the PRC. Mr. Lu held various positions in 河南省城鄉規劃設計研究總院 (Henan Urban Planning Institute Corporation) and has comprehensive qualification and experience in planning research, engineering and business management in the natural gas industry.

Mr. Li Yan, aged 58, is an executive Director of the Company. He was appointed as an executive Director on 25 February 2019. Mr. Li also serves as a director of certain other subsidiaries within the Group. Mr. Li holds a bachelor's degree from Henan University of Economics and Law (河南財經政法大學) (formerly known as Henan University of Economics (河南財經學院)) and an EMBA degree from The Guanghua School of Management of Peking University (北京大學光華管理學院). Mr. Li taught accounting, finance and economics at Henan Province Supply and Marketing School (河南省供銷學校) from July 1988 to February 1992 and served as assistant to the general manager of China Commercial Resources Zhengzhou Company (中國商業物資鄭州公司) from March 1992 to 2002. Mr. Li joined the Group in 2003 and is currently the general vice president (常務副總裁) of the Company. In December 2005, Mr. Li obtained the title of senior economist.

Independent Non-executive Directors

Mr. Li Chunyan, aged 58, is an independent non-executive Director, Chairman of Audit Committee, Remuneration Committee and Nomination Committee of the Company. He was appointed as an independent non-executive Director on 5 October 2010. He has been a practicing lawyer at Henan Shi Ji Tong Law Office (河南世紀通律師事務所) since April 1999. He has also been a teacher at Xiangcheng Normal School in Henan Province, a lawyer at Pingdingshan Economic Law Office (平頂山經濟律師事務所), a lawyer at Asia Pacific (Group) CPAs, a certified public accountant, as well as a registered assets valuer. In July 2007, he attended the independent director training of Shenzhen Stock Exchange and obtained the qualification certificate of independent directors. He has been an independent director of Do-Fluoride Chemicals Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002407) since 16 January 2020. He is a non-executive director of Rosan Resources Holdings Limited (stock code: 578).

Dr. Luo Yongtai, aged 75, is an independent non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He was appointed as an independent non-executive Director on 31 July 2003. He is a professor and a doctoral tutor in management of Tianjin University of Finance and Economics, the committee member of Tianjin Historical Building Protection Expert Consultation Committee, a Director of Coordinated Innovation Development Research Institute of the Beijing, Tianjin and Hebei region, the committee member of Coordinated Development Research Center Expert Consultation Committee of the Northeastern region and the Beijing, Tianjin and Hebei region, and an expert of Thinking Tank in Tianjin Science and Technology Commission, as well as a beneficiary of the Expert Special Subsidy granted by the State Council of the PRC. Dr. Luo had been an independent director of Tianjin Tianbao Infrastructure Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000965) for the period from December 2014 to June 2017. He was an independent director of Tianjin Guifaxiang 18th Street Mahua Food Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002820) during the period between December 2012 and September 2018. He was also an external director of Tianjin Ringpu Bio-Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300119) during the period between January 2015 and December 2018.

Ms. Liu Yu Jie, aged 57, is an independent non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. She was appointed as an independent non-executive Director on 30 June 2017. Ms. Liu graduated from University of International Business and Economics in Beijing and obtained a master's degree in business management. She has been working in Hong Kong, Singapore and the PRC for over 20 years and is familiar with the business environment and regulatory systems of such jurisdictions. She has comprehensive experience in capital markets, business promotion and corporate management through participating in initial public offerings, underwriting over 30 companies in their respective initial public offerings on The Stock Exchange of Hong Kong Limited, and having led and completed mergers and acquisitions of a number of companies in Hong Kong and Singapore. Ms. Liu also assisted in capital raising and management of large-scale industrial funds which make investments in China, and acted as executive directors of listed companies in Hong Kong and Singapore which engaged in utilities and infrastructure investments. Ms. Liu is an executive director of China Water Affairs Group Limited (stock code: 855), New Universe Environmental Group Limited (stock code: 436) and Kangda International Environmental Company Limited (stock code: 6136). She was also an executive director of SIIC Environment Holdings Ltd. (a company listed on the Singapore Exchange) from 19 November 2009 to 8 August 2014.

The board of directors (the "Directors") and the management of Zhongyu Energy Holdings Limited (formerly known as Zhongyu Gas Holdings Limited) (the "Company") are committed to high standards of corporate governance. Corporate governance system is set up to achieve a balance of the interests of different participants in the corporation, to direct and manage corporate affairs and to monitor corporate performance. The Company is dedicated to continue improving its corporate governance practices to ensure accountable, transparent and efficient management.

The Company has fully complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (the "CG Code") for the year ended 31st December, 2021. The following summarises the corporate governance practices of the Company and the reasons for deviations, if any, from the CG Code.

A. Board of Directors

The board of Directors (the "Board"), holds responsibility for leadership and control of the Company. By directing and supervising corporate affairs, the Board plays an important role in protecting and enhancing long-term shareholder value.

A.1 Board composition

As at 31st December, 2021, the Board included nine Directors, of which six were executive Directors and the remaining three were independent non-executive Directors. The composition of the Board and its changes during the year ended 31st December, 2021 and up to the date of this report are as follows:

Executive Directors:	Mr. Wang Wenliang ("Mr. Wang") *(Chairman)* Mr. Yiu Chi Shing *(Vice Chairman)* (appointed with effect from 29th October, 2021) Mr. Lui Siu Keung *(Chief Executive Officer)* Mr. Jia Kun *(Executive President)* Mr. Lu Zhaoheng Mr. Li Yan
Non-executive Director:	Mr. Xu Yongxuan *(Vice Chairman)* (resigned with effect from 29th October, 2021)
Independent Non-executive Directors:	Mr. Li Chunyan Dr. Luo Yongtai Ms. Liu Yu Jie

Save for the Directors' business relationships as a result of their respective directorships and positions in the Group, there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company received a written annual confirmation of independence from each of the independent non-executive Directors pursuant to the Rule 3.13 of the Listing Rules. The Company considered each independent non-executive Director to be independent.

Given the business nature, the Board members have distinct skills and experience in a variety of business range, which includes city gas network design and operation, organisational management, financial and securities trading market, etc.. The relevant biographies and the respective roles of all Directors on the Board are set out on pages 33 to 35 in this report.

The primary roles of the Board are to set the corporate strategy by determining business objectives, development plan and strategic policies; to delegate day-to-day operations to the management and to monitor their operating and financial performance; to avoid risks and oversee corporate affairs.

A.2 Board meetings and information supply

The Board meets regularly and board meetings were held quarterly and additional meetings would be arranged, if and when required. All Directors can attend meetings in person or through other electronic means of communication.

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of matters in the agenda.

Notice of at least 14 days in advance is given for a regular board meeting to give all Directors an opportunity to attend.

The management of the Company has provided the Board with adequate information in a timely manner to enable it to make informed decisions. In addition, the management may be invited, if and when requested, to attend board meetings to make presentation and answer the queries raised by the Board.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed.

Minutes of board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of board meetings are recorded in sufficient detail and draft and final versions of minutes of board meetings are sent to all Directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

If and when a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation but a board meeting would be held. Independent non-executive Directors (and whose associates) who have no material interest in the transaction would be present at such board meeting.

For the year ended 31st December, 2021, the Board held 14 board meetings and the Company held one general meeting. The attendance records of all board meetings and the general meeting are set out below:

	General meeting		Board meetings	
Executive Directors				
Mr. Wang Wenliang *(Chairman)*	1	100%	14	100%
Mr. Yiu Chi Shing *(Vice Chairman) (Note 1)*	–	–%	4	29%
Mr. Lui Siu Keung *(Chief Executive Officer)*	1	100%	14	100%
Mr. Jia Kun (Executive President)	1	100%	13	93%
Mr. Lu Zhaoheng	1	100%	13	93%
Mr. Li Yan	1	100%	13	93%
Non-executive Director				
Mr. Xu Yongxuan *(Vice Chairman) (Note 2)*	1	100%	9	64%
Independent Non-executive Directors				
Mr. Li Chunyan	1	100%	13	93%
Dr. Luo Yongtai	1	100%	13	93%
Ms. Liu Yu Jie	1	100%	13	93%

Notes:

(1) Mr. Yiu Chi Shing was appointed as executive Directors and Vice Chairman with effect from 29th October, 2021. Accordingly, the attendance record only shows the board meetings and the general meeting that were held after his appointment.

(2) Mr. Xu Yongxuan resigned as non-executive Director and Vice Chairman with effect from 29th October, 2021. Accordingly, the attendance record only shows the board meetings and the general meeting that were held before his resignation.

A.3 Chairman and chief executive

The Chairman is responsible for offering leadership and effectiveness for the Board, arranging all key and appropriate issues to be discussed by the Board in a timely manner, and ensuring the Board acts in the best interests of the Company and its subsidiaries (collectively the "Group") by establishing constructive relations between executive and non-executive Directors and providing effective communication with shareholders; whereas the chief executive is responsible for running the Group's business, supervising the implementation of the Group's strategy in achieving the overall commercial objectives and managing the day-to-day operation of the Group.

The CG Code Provision A.2.1 provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

During the year ended 31st December 2021, Mr. Wang served as the Chairman and Mr. Lui served as the chief executive officer. Save for their business relationship as a result of their respective directorships and positions in the Group, there are no financial, business, family or other material or relevant relationships between Mr. Wang and Mr. Lui.

A.4 Appointments and re-election

According to the Company's articles of association ("Articles of Association"), the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board and the Directors shall have the power from time to time and at any time to appoint any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the company and shall then be eligible for re-election.

The Company renewed the service contracts with each Director, except for Ms. Liu Yu Jie, on 11th July 2021. The Company renewed the service contract with Ms. Liu Yu Jie on 3rd June, 2020 and entered into service contracts with Mr. Li Yan and Mr. Jia Kun on 25th February, 2019 and with Mr. Yiu Chi Shing on 29th October, 2021. The term of appointment for the Directors is three years and they are subject to retirement by rotation and re-election in accordance with the Articles of Association. The details of procedure for retirement of Directors are as follows:

According to the Articles of Association and the CG Code Provisions A4.1-A4.3, one-third of the Directors shall retire from office by rotation at the annual general meeting. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Director so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall be determined by lot. Any Director appointed pursuant to the Company's articles of association as stated in the first paragraph under the heading "A.4 Appointment and re-election" shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Mr. Lui Siu Keung, Mr. Lu Zhaoheng and Mr. Jia Kun will retire from office as Directors by rotation at the upcoming annual general meeting and being eligible, offer themselves for re-election.

A.5 Responsibilities of directors

Directors are provided with sufficient and appropriate information by management periodically to ensure they have a proper understanding of the operations and business of the Group, and to enable them to be fully aware of their responsibilities. When a new Director is appointed, he will receive a formal induction and other materials to familiarize with the Group promptly. Besides every Director is required to disclose his interests, potential conflict of interests, and changes in a timely manner according to the Group's written responsibilities guideline. The independent non-executive Directors participate in board meetings and serve on relevant committees to make an independent judgment on corporate affairs and to develop a balanced understanding of the views of shareholders. Individual Directors may also seek external independent professional advice, at the Company's expense, on any specific matter. The Company also encourages all Directors to participate in programs of continuous professional development to develop and refresh their knowledge and skills, in order to discharge their responsibilities positively and constructively.

A.6 Directors' securities transaction

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company during the year ended 31st December, 2021.

A.7 Directors and Officers' Liabilities Insurance

The Company maintains appropriate insurance cover in respect of legal action against the Company's directors and officers when they discharge their duties. The insurance coverage is reviewed on an annual basis.

A.8 Corporate Governance Functions

The Board also assumes the corporate governance functions and is responsible for: developing and reviewing the Company's policies on corporate governance; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's code of conduct; and reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

A.9 Continuous Professional Development

Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and provision of training materials. A summary of training received by Directors during the year ended 31st December, 2021 according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, Directors' responsibilities and other relevant topics
Executive Directors	
Mr. Wang Wenliang	✓
Mr. Yiu Chi Shing	✓
Mr. Lui Siu Keung	✓
Mr. Jia Kun	✓
Mr. Lu Zhaoheng	✓
Mr. Li Yan	✓
Non-executive Director	
Mr. Xu Yongxuan	✓
Independent non-executive Directors	
Mr. Li Chunyan	✓
Dr. Luo Yongtai	✓
Ms. Liu Yu Jie	✓

The Directors confirmed that they have complied with the CG Code Provision A.6.5 in relation to continuous professional development.

B. Remuneration Matters

The Board has established a Remuneration Committee comprising three independent non-executive Directors including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Remuneration Committee. The Remuneration Committee meets at least once a year. It will consult the Chairman about their remuneration proposals for other executive directors and the primary responsibilities of the Remuneration Committee are: to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to determine specific remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation policy (i.e. the model as described in Code Provision B.1.2(c)(i) was adopted); to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Two remuneration committee meetings were held on 30th March, 2021 and 29th October, 2021 respectively to review the remuneration packages of Directors with reference to their duties and responsibilities within the Group, the Company's remuneration policy and the prevailing market condition. The attendance record of the Remuneration Committee meeting is set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	2	100%
Dr. Luo Yongtai	2	100%
Ms. Liu Yu Jie	2	100%

C. Accountability and Audit

C.1 Financial reporting

The Directors acknowledge their responsibilities for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's accounts in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report of this Annual Report.

C.2 Risk Management and Internal controls

The risk management and internal control systems have a key role in the management of risks that are significant to the fulfillment of corporation business objectives. Internal control is designed to facilitate the effectiveness and efficiency of operations, to help ensure the reliability of internal and external reporting, to assist compliance with laws and regulations.

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

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. The effectiveness of the risk management and internal control systems is reviewed annually by the Board through the Audit Committee. Management is accountable to the Board for ongoing monitoring of the systems of risk management and internal control. By covering financial, operational, compliance controls and risk management, the Board takes the following procedures to achieve business objectives: A distinct organizational structure exists with defined lines of authority and control responsibilities.

- As the Board sets up corporate strategy and delegates daily operation power to senior management, both senior managers in administration headquarter and heads in divisions or projects are involved in the strategic plan and resource allocation to achieve their annual operational and financial targets.

- A comprehensive performance assessment system is implemented to provide financial and operational performance evaluation for both the management and employees once a year. When there are variances against targets or quality requirements, to find the reasons and take appropriate actions to eliminate gaps.

According to business nature and management structure, the Company has established different departments in two levels. The administration headquarter has major responsibilities to prepare and accomplish the Group's business development plan, to conduct day-to-day operation and report to senior management directly, to appoint and direct administrative officers in gas project divisions and to assess their business performances, to implement internal control and avoid operational and financial risks. Compared with headquarter offices, the gas project divisions hold very similar duties except that all their daily jobs are done in a lower level and they have to report to the corresponding administration departments respectively on different operational matters.

In order to realize effective financial controls, through maintenance of proper accounting records, both the upper and lower financial departments ensure the Group is not unnecessarily exposed to avoidable financial risks and the financial information can be used only within the business and for reliable publication. They also contribute to pre-setting annual financial budgets, saving expenses and safeguarding of assets, including the prevention and detection of fraud.

Operational control is another important part of the whole risk management and internal control system. To achieve effective result and avoid operational risks, human resource department employs motivation plan to attract employees with necessary knowledge, skills and information, while administrative and engineering departments in two levels pay more attention to ensure efficient operational management and construct high quality gas projects. In addition, all employees have responsibility for internal control as part of their accountability for achieving the Group's objectives. With delegated authority, they are allowed to establish, operate and monitor the system of internal control, and are required to have an understanding of the Group, its objectives, the energy industry and gas markets, and the risks it faces.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced as soon as practicable after such information comes to our attention unless it falls within the "Safe Harbours" as defined under the Securities and Futures Ordinance;

- conducts its affairs in strict compliance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012;

- has implemented procedures for responding to external enquiries about the Group's affairs; and

- has implemented policy regarding prohibition on the unauthorised use of confidential or inside information.

The Group's internal audit department checks for compliance with statutory requirements, internal policies and procedures. It assesses the operating effectiveness and efficiency of the Group's risk management and internal control systems in the course of its audit. The audit scope and frequency are determined by the level of assessed risks and have to be reviewed and approved by the Audit Committee.

The Board, through the Audit Committee, reviews the risk management and internal control systems of the Group once every year.

During the year ended 31st December, 2021, the Board, through the Audit Committee, conducted an annual review of the effectiveness of the risk management and internal control systems of the Group. The annual review covered all material controls, including financial, operational and compliance controls. The annual review also covered the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, which the Board considered to be adequate.

As part of the key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal control, the Audit Committee of the Company reviewed risk management and internal control issues (if any) identified by internal auditor, external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board is of the view that the risk management and internal control systems of the Group are effective and adequate. The Board is also satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set forth in the CG Code.

C.3 Audit committee

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.23 of the Listing Rules. The primary duties of the Audit Committee are: to independently review and supervise the financial reporting process and risk management and internal control systems, to ensure good communication among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide audit report, advice, accounting policies and comments to all Directors.

The Audit Committee comprises three independent non-executive Directors who have extensive experience in financial matters, including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Audit Committee. In 2021, the Audit Committee held two meetings to check the effectiveness of the risk management and internal control systems; to review the report of internal control prepared by the internal audit department; to consider major investigation findings on risk management and internal control matters (if any); to review the effectiveness of the Company's internal audit function; to review all draft interim and annual financial reports, circulars and announcements; and understand the external auditors' statutory audit plan and the Letters of Representation, and to consider and approve the audit fees. The attendance records of the Audit Committee meetings are set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	2	100%
Dr. Luo Yongtai	2	100%
Ms. Liu Yu Jie	2	100%

C.4 Auditor's remuneration

The remuneration in respect of audit service provided by Deloitte Touche Tohmatsu, being the Company's auditor during the year 2021, amounted to HK$4,560,000.

D. Nomination Committee

The Board has established a Nomination Committee with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, the appointment and reappointment of Directors, Board succession planning and assessing the independence of independent non-executive Directors.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. On selection of candidates for directorship of the Company, the Nomination Committee makes reference to criteria such as the skills, experience, professional qualifications, personal integrity and time commitments of such individuals. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision.

The Nomination Committee comprises three independent non-executive Directors including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Nomination Committee.

The Nomination Committee held two meetings during the year ended 31st December, 2021 to determine the policy for the nomination of directors, review the nomination, re-appointment and re-election of Directors, and to determine the nomination procedures and consider the process and criteria to be adopted by the Nomination Committee for selecting and proposing a person for election as a Director including the benefits of board diversity in terms of skill, experience, knowledge and gender. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. According to the Board diversity policy adopted by the Company, the range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience, and other factors based on the specific needs of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Nomination Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs. The attendance record of the Nomination Committee meeting is set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	2	100%
Dr. Luo Yongtai	2	100%
Ms. Liu Yu Jie	2	100%

E. Shareholders' Rights

Dividend Policy

The Company adopted a dividend policy (the "Dividend Policy") which aimed to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;

- availability of distributable profits;
- business conditions and strategies;
- future operations and earnings;
- development plans;
- cash requirements;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Notwithstanding anything in the Dividend Policy, the declaration and payment of dividends (if any) by the Company is subject to the discretion of the Board, any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations.

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to Article 58 of the articles of association of the Company, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two 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 (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.

If Shareholder(s) would like to express their views to a matter mentioned in a proposed resolution or other business to be dealt with at a general meeting, they can submit a written statement of not more than 1,000 words with respect to that matter or business and request the Company to circulate their written statement to Shareholders entitled to receive notice of the meeting. Such Shareholder(s) must represent at least (a) 2.5% of the total voting rights of all the Shareholders having the relevant right to vote at the meeting or (b) 50 shareholders having the relevant right to vote at the meeting.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors of the Company.

F. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31st December, 2021.

G. Company Secretary

The Company Secretary is Mr. Lui Siu Keung. He took no less than 15 hours of relevant professional training during the year ended 31st December, 2021.

The directors of the Company present their annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2021.

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business, an analysis using key performance indicators and an indication of likely future development in the Group's business can be found in the "Chairman's Statement", "CEO Message" and the "Management Discussion and Analysis" sections of this annual report (which form part of this report of the Directors).

Principal Activities

The Company is an investment holding company and provides corporate management services to its subsidiaries. The activities of the Company's principal subsidiaries are set out in note 46 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 63 and 64.

The Board recommended the payment of a final dividend of HK7 cents per ordinary share (payable in cash) for the year ended 31st December, 2020 to shareholders whose names appear on the register of members of the Company on 14th July, 2021 and the final dividend was paid on 3rd August, 2021. The payment of dividends was approved by the shareholders at the annual general meeting of the Company held on 3rd June, 2021.

The Board recommended the payment of an interim dividend of HK3 cents per ordinary share (payable in cash) for the year ended 31st December, 2021 to shareholders whose names appear on the register of members of the Company on 20th October, 2021 and the interim dividend was paid on 15th November, 2021.

The Board has recommended the payment of a final dividend of HK8 cents per ordinary share (payable in cash) and a special dividend of HK5 cents per ordinary share (payable in cash) for the year ended 31st December, 2021 to shareholders whose names appear on the register of members of the Company on 10th June, 2022 and the proposed final dividend and special dividend are expected to be paid on or about 15th July, 2022. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

Investment Properties and Pipelines

The Group revalued all of its investment properties and pipelines included in property, plant and equipment at the year end date. The decrease in fair value of investment properties, which has been debited to profit or loss, amounted to HK$557,000. The investment properties are primarily used as offices and shop in the PRC.

Details of the movements during the year in investment properties and pipelines of the Group are set out in notes 15 and 16 to the consolidated financial statements respectively.

Share Capital

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

Distributable Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distributions as dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, as at 31st December, 2021, the Company's reserves available for distribution amounted to HK$2,092,417,000 which consisted of share premium of HK$2,729,796,000 and accumulated loss of HK$637,379,000.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2021.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wang Wenliang *(Chairman)*
Mr. Yiu Chi Shing *(Vice Chairman)*
(appointed with effect from 29th October, 2021)
Mr. Lui Siu Keung *(Chief Executive Officer)*
Mr. Jia Kun *(Executive President)*
Mr. Lu Zhaoheng
Mr. Li Yan

Non-executive Director

Mr. Xu Yongxuan *(Vice Chairman)*
(resigned with effect from 29th October, 2021)

Independent non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Ms. Liu Yu Jie

In accordance with the provisions of the Company's Articles of Association, Mr. Lui Siu Keung, Mr. Lu Zhaoheng and Mr. Jia Kun will retire by rotation at the upcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors Service Contracts

The Company renewed the service contracts with each of the Directors of the Company, except for Ms. Liu Yu Jie (whose service contract was renewed on 3rd June, 2020), on 11th July, 2021. The Company entered into service contracts with Mr. Li Yan and Mr. Jia Kun on 25th February, 2019 and with Mr. Yiu Chi Shing on 29th October, 2021. The term of appointment for all Directors under their respective service contracts, including the independent non-executive Directors, is three years and the Directors are subject to retirement by rotation and re-election in accordance with the Articles of Association and the CG Code. There are no existing or proposed directors' service contracts which are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 the Listing Rules were as follows:

Long positions in the shares/underlying shares of the Company

Name of Directors	Notes	Number of shares and/or underlying shares	Type of interests	Approximate shareholding interest as disclosed under the SFO
Mr. Wang Wenliang	1	796,125,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.09%
Mr. Yiu Chi Shing	2	188,000,000	Interest in controlled corporation	6.63%
Mr. Lui Siu Keung	3	19,665,179	Beneficial	0.69%
Mr. Jia Kun	4	7,055,031	Beneficial	0.25%
Mr. Lu Zhaoheng	5	6,040,984	Beneficial	0.21%
Mr. Li Yan	6	9,013,063	Beneficial	0.32%
Mr. Li Chunyan	7	1,510,761	Beneficial	0.05%
Dr. Luo Yongtai	8	502,900	Beneficial	0.02%
Ms. Liu Yu Jie	9	502,900	Beneficial	0.02%

Notes:

1. *Among these shares and/or underlying shares, 763,862,289 shares were held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 21,324,616 shares and 10,938,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.*

2. *These shares were held by Fundway International Investment Limited ("Fundway"). Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.*

3. *These comprise 12,121,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares issuable upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.*

4. *These shares were directly held by Mr. Jia Kun.*

5. *These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares issuable upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.*

6. *These shares were directly held by Mr. Li Yan.*

7. *These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.*

8. *These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.*

9. *These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.*

Save as disclosed above, as at 31st December, 2021, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2021, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Notes	**Type of interests**	**Number of Shares**	**Approximate shareholding interest as disclosed under the SFO** *(Note 5)*
China Gas Holdings Limited	1	Interest of controlled corporation	1,057,905,071	37.33%
Hezhong	2	Beneficial	763,862,289	26.96%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	761,899,206	26.89%
Fundway	4	Beneficial	188,000,000	6.63%

Notes:

1. *According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 31st December, 2021, China Gas Holdings Limited held these shares through Rich Legend International Limited ("Rich Legend"), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,057,905,071 shares held by Rich Legend.*

2. *Hezhong was beneficially interested in 763,862,289 shares. Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong.*

3. *Ms. Feng Haiyan directly held 10,938,301 shares and was deemed to be interested in 750,960,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.*

4. *Fundway was beneficially interested in 188,000,000 shares. Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.*

5. *As at 31st December, 2021, the total number of issued shares of the Company was 2,833,832,157.*

Save as disclosed above, as at 31st December, 2021, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or 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 recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share option scheme

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at 31st December, 2021, there was no share options outstanding under Old Share Option Scheme.

The following table discloses movements of the Company's share options granted to the Directors under the Old Share Option Scheme during the year ended 31st December, 2021:

Name of Director	Date of grant	Exercise/ vesting period	Exercise price HK$	Number of share options granted under the Old Share Option Scheme: Outstanding at 1st January, 2021	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding at 31st December, 2021
Xu Yongxuan *(Note)*	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,005,800	–	–	(1,005,800)	–
				1,005,800	–	–	(1,005,800)	–
Exercisable at the end of the period								–
Weighted average exercise price				HK$0.4872	–	–	HK$0.4827	–

Note: Mr. Xu Yongxuan retired a non-executive director and vice chairman of the Company with effect from 29th October, 2021.

The purpose of the New Share Option Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 3rd May, 2013 and will expire on 2nd May, 2023. Options granted under the New Share Option Scheme may be exercised during the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant. An amount of HK$1.00 is payable within 28 days from the day of grant upon acceptance of the grant of options. The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the New Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the shareholders in a general meeting) exceed 1% of the shares of the Company in issue for the time being.

On 5th January, 2018, 126,000,000 share options to subscribe for an aggregate of 126,000,000 ordinary shares of the Company at par value of HK$0.01 each were granted to the eligible participants (including Directors) by the Company pursuant to the New Share Option Scheme. The exercise price of such share options granted under the New Share Option Scheme was HK$5.5 per share. The share options granted shall be valid for a period of ten years from the date of grant. The closing price of the Company's shares on 4th January, 2018, being the date immediately before the date on which the share options under the New Share Option Scheme were granted, was HK$4.98. As announced by the Company on 1st August, 2018, the exercise price and the number of options outstanding as at that date were adjusted to HK$5.468 per share and 126,730,800 options in accordance with the terms of the New Share Option Scheme, as a result of the issue of scrip shares by the Company to its shareholders on 1st August, 2018.

The Scheme Mandate Limit of the New Share Option Scheme is 252,400,768. As at the date of this report, 126,730,800 share options were granted, 3,023,200 share options have lapsed in accordance with the terms of the New Share Option Scheme, 107,614,800 Shares have been issued under the New Share Option Scheme and the number of share options outstanding was 16,092,800. The maximum number of share options which may be granted under the New Share Option Scheme is 128,693,168. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.57% and 4.54% of the number of issued shares of the Company as at the date of this report, respectively.

The following table discloses movements of the Company's share options granted to the eligible participants (including Directors) under the New Share Option Scheme during the year ended 31st December, 2021:

Name of participants who are Directors and category of other participants	Date of grant	Exercise/ vesting period	Exercise price HK$	Number of share options granted under the New Share Option Scheme Outstanding at 1st January, 2021	Granted during the year under review	Exercised during the year under review	Forfeited during the year under review	Outstanding at 31st December, 2021
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	7,543,500	–	–	–	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	–	–	–	3,017,400
Xu Yongxuan *(Note)*	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
				12,572,500	–	–	–	12,572,500
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	–	(1,000,000)	(5,800)	2,011,600
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028	5.468	1,508,700	–	–	–	1,508,700
				17,098,600	–	(1,000,000)	(5,800)	16,092,800
Exercisable at the end of the period								16,092,800
Weighted average exercise price				HK$5.468	–	HK$5.468	HK$5.468	HK$5.468

Note: *Mr. Xu Yongxuan retired as a non-executive director and vice chairman of the Company with effect with 29th October, 2021.*

Save as disclosed above, (i) at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company; and (ii) no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Connected Transaction

To the extent the related party transactions set out in note 41 to the consolidated financial statements constitute connected transactions of the Company (i.e. the transactions referred to in note 27(b), note 31 and note 41(b)), they are fully exempt under Rule 14A.76 or Rule 14A.95 (as the case may be) of the Listing Rules. The Board confirms that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31st December, 2021.

Compliance with Laws and Regulations

The Group has complied with the relevant laws and regulations that have a significant impact on the Group. The Group has established policies to reduce wastewater and solid wastes and monitor the waste emissions to comply with relevant environmental laws and regulations in different region in the PRC.

The Group has formulated relevant policies to protect employees' rights and strictly complied with relevant laws and regulations. We have clear requirements for working hours and holidays, which complies with Labour Contract Law and relevant national laws and regulations and prohibits employment of child labour or forced labour.

The Group has formulated various rules in relation to occupational health and work safety in accordance with the Law of the People's Republic of China on Work Safety to specify work safety responsibilities of staff at all levels, and ensure that these rules and measures are strictly followed.

Environmental policies

The Group has established a mechanism to monitor, formulate and implement measures to ensure proper management and reduction of greenhouse gases, air pollutants, waste and wastewater emissions from its operations.

To reduce greenhouse gas emissions, a video conferencing system was used by the Group to reduce the number of physical meetings. There was a slight reduction in greenhouse gas emissions (measured by intensity per head) in the year ended 31st December 2021 when compared to the preceding year.

To enhance water usage efficiency, the Group has introduced water-saving technologies such as water-saving faucets and water-saving toilet systems, thereby reducing consumption in daily operations.

The Group has set waste reduction goals and is committed to reducing hazardous and non-hazardous wastes per head to minimize the environmental impact of office operations.

The Group regularly reviews its energy targets and indicators through the use of an energy management system based on data from previous years to lower its electricity consumption per head and to continuously enhance the Group's energy performance.

Key Relationship with Employees

The Group has put in place a comprehensive employment system covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare. In order to meet the needs of business expansion, the Group makes active efforts to recruit talent through open and campus recruitment activities based on the principles of fair competition, two-way selection and merit selection. We have formulated Performance Management System, pursuant to which we provide fair and reasonable promotion opportunities to our employees. The ranks and remuneration of employees are determined according to their skills, contributions and scope of influence. The Group also provides thorough and comprehensive training for staff at all levels through diversified means including lectures, practical training, sharing and learning, onsite observation and outreach training.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were less than 4.76% of total turnover for the year. The Group's largest customer accounted for 1.2% of the total sales for the year. The Group allows an average credit period of 30 days to its trade customers. Customers are mainly local reputable real estate developers and corporate entities in the PRC and no significant counterparty default was noted in the past. The concentration of credit risk is limited due to the customer base being large and unrelated.

For the year ended 31st December, 2021, our five largest suppliers comprised 51.3% of our total purchase for the year. The Group's largest supplier accounted for 33.7% of the total purchase for the year. Long-term relationship has been established with major suppliers to ensure stable supply of gas.

At no time during the year did a director, a close associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Confirmation from Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board is not aware of any circumstances which may influence the independent non-executive Directors in exercising their independent judgement.

Emolument Policy

The Group's remuneration and bonus policies are determined based on the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 36 to the consolidated financial statements.

Retirement Benefits Plans

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per person.

No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

Indemnity Provision

Pursuant to article 165 of the Articles of Association of the Company, every director of the Company shall be entitled to be indemnified and assured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said directors. Such provision was in force during the year ended 31st December, 2021 and remained in force as of the date of this report.

Principal Risks and Uncertainties Facing by the Group

Work safety is the most important operational risk facing by the Group. The Group has formulated various rules in relation to occupational health and work safety in accordance with the Law of the People's Republic of China on Work Safety to specify work safety responsibilities of staff at all levels, and ensure that these rules and measures are strictly followed. We organize annual training for all staff in respect of management, environment to safety systems, and departments organize their own relevant training as well, with the aim of raising employees' awareness of prevention. We have also equipped our employees with appropriate safety gear to ensure their work safety. For frontline positions, all employees are strictly required to obtain certificates of labour skills from the government, ensuring that the related personnel are equipped with the professional qualifications and safety knowledge about dangerous working conditions.

We proactively prevent gas leakage. Apart from thorough and rigorous control systems including the Rules on Gas Pipeline Network Safety Inspection, we have also equipped the pipeline network management department with adequate manpower and equipment, ensuring that any leakage can be noticed timely. We also greatly publicize the Group's hotline to encourage the public to report any gas leakage.

Please refer to note 44 to the consolidated financial statements for a summary of financial risks of the Group.

Competing Business

As far as the Directors are aware, during the year, none of the Directors had any interest in a business which competed with or might compete with the business of the Group.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2021.

Donations

During the year under review, the Group made charitable and other donations amounted to approximately RMB5,852,000.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Wenliang
Chairman

Hong Kong
28th March, 2022

Deloitte. 德勤

TO THE MEMBERS OF ZHONGYU ENERGY HOLDINGS LIMITED
(FORMERLY KNOWN AS ZHONGYU GAS HOLDINGS LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongyu Energy Holdings Limited (formerly known as Zhongyu Gas Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 195, which comprise the consolidated statement of financial position as at 31st December, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 31st December, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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"), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, 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)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets	
We identified the impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of the Group as a key audit matter due to their significance to the consolidated financial statements and significant judgment and estimation involved in the impairment assessment. As at 31st December, 2021, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of HK$468,579,000, HK$1,406,259,000, HK$8,688,538,000 and HK$316,154,000 respectively were assessed for impairment as disclosed in note 18 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the relevant assets have been allocated to individual cash-generating units ("CGUs") relating to (i) sales of gas, (ii) pipeline construction, (iii) different subsidiaries of Harmony Gas Holdings Limited engaging in sales of gas and (iv) design and consulting of energy projects. The recoverable amounts of the respective CGUs have been determined with reference to the value in use of the relevant CGUs, which require adoption of key assumptions such as suitable discount rates and growth rates, in order to calculate the present value of the estimated future cash flows.	Our procedures in relation to the impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets included: • understanding management's process over impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets; • obtaining the cash flow forecasts prepared by the management that were used to calculate the value in use of the CGUs to which the Group's goodwill, other intangible assets, property, plant and equipment and right-of-use assets are allocated and understanding the key management assumptions adopted in these cash flow forecasts through enquiries with the management; • challenging of the models used including the macroeconomic assumptions used; • comparing key assumptions (including discount rates and growth rates) used in the model to external data; • assessing the reasonableness of forecasted future cash flows by comparing to historical performance; and • performing sensitivity analysis on key assumptions, including discount rates and growth rates adopted.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of pipelines included in property, plant and equipment	
Included in the property, plant and equipment are pipelines which are stated in the consolidated statement of financial position at revalued amounts less accumulated depreciation. We identified valuation of pipelines as a key audit matter due to the significance of this balance to the consolidated financial statements and the complex and subjective judgments and estimates involved in: • the determination of valuation techniques, which is depreciated replacement cost method considering the new replacement cost of the pipelines and deduction for obsolescence and • the selection of different inputs in the model. The directors of the Company adopt revaluation model to measure pipelines included in property, plant and equipment. The surplus resulted from the revaluation is dealt with in other comprehensive income and accumulated in equity, under the heading of property revaluation reserve. As disclosed in note 16 to the consolidated financial statements, the fair value of the pipelines amounted to HK$9,327,740,000 as at 31st December, 2021 with the revaluation increase of the pipelines for the year of HK$667,836,000 recorded in other comprehensive income. The fair value was determined by the directors with reference to the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group.	Our procedures in relation to the valuation of pipelines included in property, plant and equipment included: • assessing the competence, capabilities and objectivity of the Valuer; • evaluating management's process in respect of reviewing the valuation performed by the Valuer; • obtaining the valuation reports for pipelines, and challenging the relevance and reasonableness of valuation techniques used by the Valuer; • holding discussion with management of the Group and the Valuer to understand the valuation basis, methodology used and underlying assumptions applied; and • assessing the reasonableness of key inputs which were used to determine the fair value under depreciated replacement cost method, including historical labour cost and historical raw chemical materials purchasing price indices for industrial producers, by comparing with the historical construction prices of the pipelines constructed by the Group in the relevant valuation period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

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

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	NOTES	2021 HK$'000	2020 HK$'000
Turnover	5	**11,344,500**	8,543,710
Cost of sales		**(9,155,563)**	(6,596,693)
Gross profit		**2,188,937**	1,947,017
Other gains and losses	7	**220,525**	546,449
Other income	8	**148,161**	107,743
Selling and distribution costs		**(246,598)**	(197,315)
Administrative expenses		**(590,154)**	(466,071)
Reversal of impairment loss (impairment loss) on financial assets and contract assets		**1,178**	(51,359)
Impairment loss on other intangible assets		**–**	(265,274)
Finance costs	9	**(189,627)**	(255,849)
Share of results of associates		**50,441**	51,558
Share of results of joint ventures		**(1,361)**	(1,468)
Profit before tax		**1,581,502**	1,415,431
Income tax expenses	10	**(318,859)**	(302,194)
Profit for the year	11	**1,262,643**	1,113,237
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**185,031**	295,479
Fair value gain on revaluation of pipelines included in property, plant and equipment	16	**667,836**	143,903
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		**(166,959)**	(35,976)
Other comprehensive income for the year		**685,908**	403,406
Total comprehensive income for the year		**1,948,551**	1,516,643
Profit for the year attributable to:			
Owners of the Company		**1,188,997**	1,056,617
Non-controlling interests		**73,646**	56,620
		1,262,643	1,113,237

For the year ended 31st December, 2021

	NOTE	2021 HK$'000	2020 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**1,826,885**	1,433,620
Non-controlling interests		**121,666**	83,023
		1,948,551	1,516,643
Earnings per share	14		
Basic		**HK44.20 cents**	HK39.95 cents
Diluted		**HK44.14 cents**	HK39.88 cents

At 31st December, 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	15	**8,942**	9,236
Property, plant and equipment	16	**14,995,812**	12,747,239
Right-of-use assets	17	**616,721**	592,421
Goodwill	18	**468,579**	437,188
Other intangible assets	19	**1,406,259**	1,379,061
Long-term deposits, prepayments and other receivables	20	**1,247,331**	1,310,467
Interests in associates	21	**714,292**	507,532
Interests in joint ventures	22	**18,358**	19,176
Financial assets at fair value through other comprehensive income	23	**86,257**	83,875
		19,562,551	17,086,195
Current assets			
Inventories	24	**689,895**	589,598
Properties under development for sale	25	**225,809**	166,150
Trade receivables	26	**2,047,401**	1,771,513
Deposits, prepayments and other receivables	26	**1,748,685**	1,590,247
Amount due from an associate	27	**–**	59,411
Amount due from a related party	27	**9,173**	8,912
Contract assets	28	**515,356**	609,259
Tax recoverable		**4,206**	4,086
Pledged bank deposits	29	**48,924**	4,753
Bank balances and cash	29	**1,820,864**	1,744,299
		7,110,313	6,548,228
Current liabilities			
Trade payables	30	**1,730,216**	1,882,389
Other payables and accrued charges	30	**779,694**	764,520
Amount due to an associate	31	**1,094**	1,063
Contract liabilities	28	**1,838,540**	1,466,311
Borrowings	32	**3,948,904**	7,279,315
Lease liabilities	33	**4,670**	7,265
Tax payables		**125,361**	63,276
		8,428,479	11,464,139
Net current liabilities		**(1,318,166)**	(4,915,911)
Total assets less current liabilities		**18,244,385**	12,170,284

	NOTES	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	34	**28,338**	26,448
Reserves		**8,630,659**	5,989,591
Equity attributable to owners of the Company		**8,658,997**	6,016,039
Non-controlling interests		**858,001**	715,311
Total equity		**9,516,998**	6,731,350
Non-current liabilities			
Deferred income and advance received	30	**6,258**	6,688
Borrowings	32	**7,372,076**	4,310,831
Lease liabilities	33	**16,886**	20,112
Deferred taxation	35	**1,332,167**	1,101,303
		8,727,387	5,438,934
		18,244,385	12,170,284

The consolidated financial statements on pages 63 to 195 were approved and authorised for issue by the Board of Directors on 28th March, 2022 and are signed on its behalf by:

MR. WANG WENLIANG
DIRECTOR

MR. LUI SIU KEUNG
DIRECTOR

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note i)	HK$'000 (Note ii)	HK$'000	HK$'000	HK$'000	HK$'000 (note 47)	HK$'000
At 1st January, 2020	26,448	1,644,649	13,981	1,127,420	(603,692)	169,598	72,018	2,324,947	4,775,369	660,704	5,436,073
Profit for the year	–	–	–	–	–	–	–	1,056,617	1,056,617	56,620	1,113,237
Other comprehensive income for the year	–	–	–	167,171	–	–	209,832	–	377,003	26,403	403,406
Total comprehensive income for the year	–	–	–	167,171	–	–	209,832	1,056,617	1,433,620	83,023	1,516,643
Dividends paid in cash (note 13)	–	–	–	–	–	–	–	(185,139)	(185,139)	–	(185,139)
Transfer to statutory surplus reserve	–	–	–	–	–	23,422	–	(23,422)	–	–	–
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(24,423)	(24,423)
Acquisition of additional interests in subsidiaries (note 37)	–	–	–	–	(7,811)	–	–	–	(7,811)	(53,026)	(60,837)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	49,033	49,033
At 31st December, 2020	26,448	1,644,649	13,981	1,294,591	(611,503)	193,020	281,850	3,173,003	6,016,039	715,311	6,731,350

	Attributable to owners of the Company										
	Share capital	**Share premium**	**Share option reserve**	**Property revaluation reserve**	**Other reserve**	**Statutory surplus reserve**	**Translation reserve**	**Accumulated profits**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note i)	HK$'000 (Note ii)	HK$'000	HK$'000	HK$'000	HK$'000 (note 47)	HK$'000
At 1st January, 2021	26,448	1,644,649	13,981	1,294,591	(611,503)	193,020	281,850	3,173,003	6,016,039	715,311	6,731,350
Profit for the year	–	–	–	–	–	–	–	1,188,997	1,188,997	73,646	1,262,643
Other comprehensive income for the year	–	–	–	499,056	–	–	138,832	–	637,888	48,020	685,908
Total comprehensive income for the year	–	–	–	499,056	–	–	138,832	1,188,997	1,826,885	121,666	1,948,551
Dividends paid in cash (note 13)	–	–	–	–	–	–	–	(270,174)	(270,174)	–	(270,174)
Transfer to statutory surplus reserve	–	–	–	–	–	31,482	–	(31,482)	–	–	–
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(17,807)	(17,807)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	38,831	38,831
Placement of shares (note 34)	1,880	1,088,520	–	–	–	–	–	–	1,090,400	–	1,090,400
Transaction costs attributable to placement of shares	–	(9,621)	–	–	–	–	–	–	(9,621)	–	(9,621)
Exercise of share options (note 36)	10	6,248	(790)	–	–	–	–	–	5,468	–	5,468
Forfeit of share options (note 36)	–	–	(5)	–	–	–	–	5	–	–	–
Lapse of share options (note 36)	–	–	(159)	–	–	–	–	159	–	–	–
At 31st December, 2021	28,338	2,729,796	13,027	1,793,647	(611,503)	224,502	420,682	4,060,508	8,658,997	858,001	9,516,998

Notes:

(i) *Other reserve mainly represents the difference between the fair values of the considerations paid and the carrying amounts of the non-controlling interests arised from acquisition of additional interest in subsidiaries.*

(ii) *The articles of association of the Company's subsidiaries established in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for each year (prepared under generally accepted accounting principles in the PRC) to the statutory surplus reserve until the balance reaches 50% of the paid-in capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into paid-in capital and expansion of their production and operation.*

For the year ended 31st December, 2021

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit before tax	**1,581,502**	1,415,431
Adjustments for:		
Depreciation of property, plant and equipment	**425,780**	345,803
Depreciation of right-of-use assets	**31,368**	38,299
Amortisation of other intangible assets	**76,422**	82,885
Net loss on disposal of property, plant and equipment	**4,532**	6,415
Gain on disposal of right-of-use assets	**(1,385)**	–
Impairment losses (reversal of impairment losses)		
– trade receivables (goods and services)	**–**	25,534
– contract assets	**(1,835)**	13,200
– other receivables	**657**	12,625
Impairment loss on other intangible assets	**–**	265,274
Share of results of associates	**(50,441)**	(51,558)
Share of results of joint ventures	**1,361**	1,468
Interest income	**(38,583)**	(38,791)
Finance costs	**189,627**	255,849
Decrease in fair value of investment properties	**557**	481
Net foreign exchange gains	**(97,791)**	(431,885)
Operating cash flows before movements in working capital	**2,121,771**	1,941,030
Increase in inventories	**(81,313)**	(83,283)
Increase in trade receivables	**(219,282)**	(370,146)
Increase in deposits, prepayments and other receivables	**(17,058)**	(415,088)
Decrease (increase) in contract assets	**112,244**	(78,780)
Increase in properties under development for sale	**(53,963)**	(45,869)
Decrease in deferred income and advances received	**(620)**	(603)
(Decrease) increase in trade payables	**(205,566)**	567,381
(Decrease) increase in other payables and accrued charges	**(51,173)**	297,251
Increase in contract liabilities	**417,946**	290,205
Cash generated from operations	**2,022,986**	2,102,098
Interest received	**15,264**	14,578
Income taxes paid	**(242,715)**	(223,300)
Withholding tax paid	**–**	(7,279)
Net cash from operating activities	**1,795,535**	1,886,097

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

	NOTE	2021 HK$'000	2020 HK$'000
Investing activities			
Dividend received from an associate		**33,735**	–
Repayment from an associate		**60,241**	–
Purchases of property, plant and equipment		**(1,345,295)**	(1,667,252)
Payments of right-of-use assets		**(23,266)**	(538)
Proceeds from disposal of property, plant and equipment		**54,413**	22,537
Placement of pledged bank deposits		**(43,373)**	(4,498)
Net cash inflow on acquisition of a subsidiary	38	**4,025**	–
Payments of unsettled consideration of acquisitions of subsidiaries		**(27,898)**	(12,696)
Additional investment in an associate		**(171,932)**	–
Additional investment to a joint venture		**–**	(9,972)
Additional investments in financial assets at fair value through other comprehensive income		**–**	(281)
Addition of other intangible assets		**(167)**	(169)
Deposits paid for acquisition of property, plant and equipment and leasehold lands		**(167,532)**	(205,842)
Net cash used in investing activities		**(1,627,049)**	(1,878,711)
Financing activities			
Interest paid		**(311,753)**	(352,271)
Loan facilities fees paid		**(130,232)**	(40,625)
Acquisitions of additional interests in subsidiaries		**–**	(33,805)
New borrowings raised		**7,691,595**	6,332,888
Repayments of lease liabilities		**(14,792)**	(74,420)
Repayments of borrowings		**(8,125,357)**	(5,931,439)
Dividend paid by subsidiaries to non-controlling interests		**(4,342)**	(24,423)
Capital contribution from non-controlling interests of subsidiaries		**25,366**	49,033
Proceeds from placement of shares		**1,090,400**	–
Transaction costs attributable to placement of shares		**(9,621)**	–
Exercise of share options		**5,468**	–
Dividends paid		**(259,992)**	(177,393)
Net cash used in financing activities		**(43,260)**	(252,455)
Net increase (decrease) in cash and cash equivalents		**125,226**	(245,069)
Cash and cash equivalents at 1st January		**1,744,299**	1,903,313
Effect of foreign exchange rate changes		**(48,661)**	86,055
Cash and cash equivalents at 31st December, represented by bank balances and cash		**1,820,864**	1,744,299

1. GENERAL INFORMATION

Zhongyu Energy Holdings Limited (formerly known as Zhongyu Gas Holdings Limited) (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 10th December, 2021, the shareholders have approved to change the name of the Company from "Zhongyu Gas Holdings Limited" to "Zhongyu Energy Holdings Limited".

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Company's subsidiaries are principally engaged in the development, construction and operation of natural gas projects and development of smart energy in the PRC.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), which is different from the Company's functional currency of Renminbi ("RMB"). The directors of the Company (the "Directors") adopt HK$ as presentation currency for the convenience of the financial statements users as the Company's shares are listed on the Stock Exchange.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as "the Group") have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concession
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1st January, 2021, the Group has several financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") HK$'000	USD London Interbank Offered Rate ("LIBOR") HK$'000
Financial liabilities		
Bank loans	4,639,579	4,054,941

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 44.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

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

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

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

[4] *Effective for annual periods beginning on or after a date to be determined*

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 "Business Combinations" so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKFRS 3 "Reference to the Conceptual Framework" *(Continued)*

- add a requirement that, for transactions and other events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC) – Int 21 "Levies", an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January, 2022.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the "Amendments to HKAS 1" to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31st December, 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

As at 31st December, 2021, the Group has net current liabilities of HK$1,318,166,000.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

The Directors have therefore given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. The Directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into accounts the cash flows from the profitable operations and new bank borrowings obtained by the Group amounting to appropriately HK$1,576,386,000 subsequent to 31st December, 2021 in which the borrowings are due after one year from the dates of drawdown. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, financial instruments and investment properties that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

For financial instruments, pipelines included in property, plant and equipment and right-of-use assets and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of the relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or a group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or a group of cash-generating units) to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or a group of cash-generating units).

On disposal of the relevant cash-generating unit (or any of the cash-generating unit within group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of the associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associates and joint venture used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate and a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the investments in associates and a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than assets under construction as described below) and are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Pipelines are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the estimated fair values at the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Assets including building in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attribute to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

For a transfer from investment property carried at fair value to owner-occupied property, the property deemed cost for subsequent accounting shall be its fair value at the date of change in use.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

Depreciation is recognised so as to write off the cost or revalued amount of assets other than assets under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment *(Continued)*

Leasehold land and building for own use

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, or fair value at the date of transfer including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Leases** (Continued)*

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Except for investment properties that are measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property and inventories as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventories are presented within “investment properties” and “properties under development for sale” respectively.

The Group transfers a leasehold land from right-of-use assets to properties under development for sale when there is a change in use to hold the leasehold land for sale rather than in the production or supply of goods or services, or for administrative purposes. The cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property under development for sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, if any.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Leases** (Continued)*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see accounting policy in respect of impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities and provision for decommissioning and restoration in which the tax deductions are attributable to ultimate costs incurred, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to the relevant assets and related liabilities are assessed on a net basis. Excess of depreciation on the relevant assets over the lease payments for the principal portion of lease liabilities and the estimated cost for decommissioning and restoration results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contract with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 or initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Financial instruments** (Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, refundable deposits, other receivables, amount due from an associate, amount due from a related party, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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:

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

***Financial instruments** (Continued)*

Financial assets (Continued)

Impairment of financial assets and contract assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Inventories

Inventories, including construction materials, gas appliances, consumables and spare parts, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Properties under development for sale

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties for/under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising from the translation of the Company's functional currency, RMB, to the presentation currency of the consolidated financial statements, HK$, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate) and will not be reclassified subsequently to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit, corporates assets are allocated to individual cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or a group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or a group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

Impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets

Determining whether goodwill, other intangible assets, property, plant and equipment and right-of-use assets are impaired requires an estimation of the recoverable amount of relevant assets or the cash-generating unit to which the assets belongs. The recoverable amount is determined based on the value in use calculation which requires the Group to estimate the future cash flows expected to arise from relevant assets or the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. Details of the recoverable amount calculation for the cash-generating units in respect of (i) sales of gas, (ii) pipeline construction, (iii) different subsidiaries of Harmony Gas Holdings Limited ("Harmony Gas") engaging in sales of gas and (iv) design and consulting of energy projects are set out in note 18. As at 31st December, 2021, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of HK$468,579,000 (2020: HK$437,188,000), HK$1,406,259,000 (2020: HK$1,379,061,000), HK$8,688,538,000 (2020: HK$7,695,606,000) and HK$316,154,000 (2020: HK$311,751,000) respectively were assessed for impairment. During the year 31st December, 2020, impairment losses of other intangible assets amounted to HK$265,274,000 was recognised as disclosed in note 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Valuation of pipelines included in property, plant and equipment

As described in note 16, pipelines included in property, plant and equipment were revalued as at 31st December, 2021 based on depreciated replacement cost method ("DRC") determined by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and may materially differ from the actual results. In making the estimation for depreciated replacement cost for pipelines, the independent professional valuer considers information from the aggregate amount of the new replacement cost of the pipelines and deductions for obsolescence at the end of the reporting period. As at 31st December, 2021, the carrying amount of pipelines included in property, plant and equipment were HK$9,327,740,000 (2020: HK$8,089,944,000).

5. TURNOVER

(i) Disaggregation of revenue from contracts with customers

	2021 HK$'000	2020 HK$'000
Types of goods or services		
Sales of gas	**9,290,532**	6,190,069
Gas pipeline construction	**1,327,942**	1,488,639
Value-added services	**464,507**	635,951
Sales of compressed natural gas or liquefied natural gas ("CNG/LNG") in vehicle filling stations	**261,519**	229,051
Total	**11,344,500**	8,543,710
Timing of revenue recognition		
A point in time	**10,016,558**	7,055,071
Over time	**1,327,942**	1,488,639
Total	**11,344,500**	8,543,710

All the revenue from contracts with customers are derived from the PRC.

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:

5. TURNOVER *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

(a) Sales of goods

For the sales of gas, the Group would require advance payment before the usage of the natural gas for certain customers, any shortage against the periodically actual charge for the actual usage of natural gas will be billed by the Group accordingly. The Group allows an average credit period of 30 days to its customers for the invoices issued. These customers are required to top up the advance payment for future usage of natural gas to be supplied by the Group.

The Group requires advance payment before the usage of the natural gas through prepaid card for certain household users. The charge of the actual usage of natural gas will be deducted directly to the balance of the prepaid card. These customers can only consume the natural gas up to the balance of the prepaid card.

For the sales of CNG/LNG, stoves and liquefied petroleum gas, a receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group allows an average credit period of 30 days to its customers for the invoices issued.

(b) Construction

The Group provides gas pipeline construction services under construction contracts with its customers. Such contracts are entered into before construction of the gas pipeline begins. The Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from construction of gas pipeline is recognised over time on an input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

The Group requires certain customers to provide upfront deposits before the commencement of the construction which will give rise to contract liabilities until the revenue recognised on the relevant contracts exceed the amount of the deposits. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract asset for any work performed in excess of payment from customer for the same contract. Any amount previously recognised as a contract asset is reclassified to trade receivables upon completion of construction works. The Group allows an average credit period of 30 days to its customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the contracts for sales of gas and other goods, and gas pipeline construction are for original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions on resources allocation and performance assessment.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products delivered or services rendered which is also consistent with the basis of organisation of the Group.

Each type of product or service represents an unique business unit within the Group whose performance is assessed independently. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are therefore as follows:

(a) sales of gas;

(b) gas pipeline construction;

(c) value-added services (including smart energy, sales of stoves and provision of other related services); and

(d) operation of CNG/LNG vehicle filling stations

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended 31st December, 2021

	Sales of gas HK$'000	Gas pipeline construction HK$'000	Value-added services HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Consolidated HK$'000
Segment revenue	9,290,532	1,327,942	464,507	261,519	11,344,500
Segment profit	655,104	811,500	183,400	6,883	1,656,887
Unallocated other income					32,548
Unallocated other gains and losses					214,338
Unallocated central corporate expenses					(131,987)
Impairment loss on other receivables					(657)
Finance costs					(189,627)
Profit before tax					1,581,502

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31st December, 2020

	Sales of gas HK$'000	Gas pipeline construction HK$'000	Value-added services HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Consolidated HK$'000
Segment revenue	6,190,069	1,488,639	635,951	229,051	8,543,710
Segment profit (loss)	267,494	927,926	149,573	(69,920)	1,275,073
Unallocated other income					29,084
Unallocated other gains and losses					524,670
Unallocated central corporate expenses					(144,922)
Impairment losses on other receivables					(12,625)
Finance costs					(255,849)
Profit before tax					1,415,431

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Reportable segments represent the financial result of each segment without allocation of central administration costs, directors' emoluments, interest income, change in fair value of investment properties, foreign exchange gains or losses, certain sundry income, impairment losses on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

A subsidiary of the Group also engages in the property development in the PRC and the revenue generate from this business will be included as the consolidated revenue of the Group. There was no property sold for the year ended 31st December, 2021. The operating result and other financial information of this subsidiary's business are not separately reviewed by the CODM for the purpose of resources allocation and performance assessments.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

Other segment information

2021

	Sales of gas HK$'000	Gas pipeline construction HK$'000	Value-added services HK$'000	Operations of CNG/LNG vehicle filling stations HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:							
Net loss on disposal of property, plant and equipment	4,336	11	78	–	4,425	107	4,532
Gain on disposal of right-of-use assets	(1,385)	–	–	–	(1,385)	–	(1,385)
Depreciation of right-of-use assets	18,799	–	156	6,599	25,554	5,814	31,368
Depreciation of property, plant and equipment	400,942	884	3,302	11,462	416,590	9,190	425,780
Amortisation of other intangible assets	74,122	–	2,300	–	76,422	–	76,422
Impairment losses (reversal of impairment losses) on							
– contract assets	–	(1,835)	–	–	(1,835)	–	(1,835)
– other receivables	–	–	–	–	–	657	657

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2020

	Sales of gas HK$'000	Gas pipeline construction HK$'000	Value-added services HK$'000	Operations of CNG/LNG vehicle filling stations HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss:							
Net loss on disposal of property, plant and equipment	3,761	31	245	1,012	5,049	1,366	6,415
Depreciation of right-of-use assets	27,381	–	1,247	5,574	34,202	4,097	38,299
Depreciation of property, plant and equipment	324,486	848	2,034	10,530	337,898	7,905	345,803
Amortisation of other intangible assets	78,963	–	2,147	1,775	82,885	–	82,885
Impairment losses on							
– trade receivables	9,096	16,438	–	–	25,534	–	25,534
– contract assets	–	13,200	–	–	13,200	–	13,200
– other receivables	–	–	–	–	–	12,625	12,625
Impairment losses on other intangible assets	205,294	–	–	59,980	265,274	–	265,274

Geographical information

All the turnover of the Group for both years are derived from the PRC. None of the customers contributes over 10% of the total revenue of the Group.

As at 31st December, 2021, all the non-current assets of the Group (excluding financial assets) amounting to HK$18,845,978,000 (2020: HK$16,294,125,000) are located in the PRC.

7. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net foreign exchange gains	**224,472**	557,522
Decrease in fair value of investment properties	**(557)**	(481)
Net losses on disposal of property, plant and equipment	**(4,532)**	(6,415)
Gain on disposal of right-of-use assets	**1,385**	–
Others	**(243)**	(4,177)
	220,525	546,449

8. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income from financial assets at amortised cost		
– Bank interest income	**10,138**	7,819
– Interest income on amount due from an associate	**3,229**	3,957
– Interest income from loans to employees	**23,319**	24,213
	36,686	35,989
Government subsidies (Note)	**67,963**	45,150
Income from investments in life insurance contracts	**1,897**	2,802
Sundry income	**41,615**	23,802
	148,161	107,743

Note:

During the year ended 31st December, 2021, the Group recognised government grants of HK$191,000 (2020: HK$318,000) in respect of Covid-19-related subsidies of which nil (2020: HK$135,000) related to Employment Support Scheme provided by Hong Kong government.

During the year ended 31st December, 2021, the Group has received subsidies of HK$67,772,000 (2020: HK$44,832,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on borrowings	**317,020**	342,595
Interest on lease liabilities	**1,300**	2,529
	318,320	345,124
Amortisation on loan facilities fees relating to bank borrowings	**51,494**	50,611
Total borrowing costs	**369,814**	395,735
Less: Amounts capitalised in construction in progress included in property, plant and equipment	**(180,187)**	(139,886)
	189,627	255,849

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.33% (2020: 5.25%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	2021 HK$'000	2020 HK$'000
PRC Enterprise Income Tax:		
Current tax	**308,771**	230,093
Overprovision in prior years	**(6,662)**	(11,113)
Withholding tax levied on dividends paid previously not recognised	**–**	7,279
	302,109	226,259
Deferred taxation (note 35)	**16,750**	75,935
	318,859	302,194

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

10. INCOME TAX EXPENSES *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2020, withholding tax amounting to HK$7,279,000 was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in previous and current years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**1,581,502**	1,415,431
Tax at the domestic income tax rate of 25% (2020: 25%) (Note)	**395,376**	353,858
Tax effect of expenses not deductible for tax purpose	**78,128**	121,202
Tax effect of income not taxable for tax purpose	**(133,555)**	(151,051)
Overprovision in respect of prior years	**(6,662)**	(11,113)
Tax effect of share of results of associates	**(12,610)**	(12,889)
Tax effect of share of results of joint ventures	**340**	367
Tax effect of estimated tax losses not recognised	**11,516**	11,677
Utilisation of estimated tax losses previously not recognised	**(13,674)**	(17,136)
Withholding tax levied on dividends paid previously not recognised	**–**	7,279
Tax charge for the year	**318,859**	302,194

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

11. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**4,560**	4,028
Amortisation of other intangible assets (included in cost of sales)	**76,422**	82,885
Depreciation of right-of-use assets	**31,368**	38,299
Depreciation of property, plant and equipment	**425,780**	345,803
Employee benefits expenses, other than directors' emoluments		
– Salaries and other benefits	**430,626**	362,514
– Contributions to retirement benefits schemes	**90,991**	40,820
	521,617	403,334
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	**231,814**	260,380
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas and stoves	**7,898,207**	5,306,240
	8,130,021	5,566,620
Impairment losses (reversal of impairment losses), net		
– Trade receivables – good and services	**–**	25,534
– Other receivables	**657**	12,625
– Contract assets	**(1,835)**	13,200
	(1,178)	51,359
Gross rental income from investment properties with minimal outgoings	**(1,714)**	(1,518)
Gross rental income from equipment with minimal outgoings	**(5,815)**	(6,551)

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the Directors and the chief executive are as follows:

	2021 HK$'000	2020 HK$'000
Fees	959	1,000
Other emoluments:		
– Salaries and other benefits	18,520	18,120
– Contributions to retirement benefits schemes	306	186
Total emoluments	19,785	19,306

The emoluments of Directors and the chief executive of the Company are analysed as follows:

	2021				2020			
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors								
Mr. Wang Wenliang	–	7,140	–	7,140	–	7,140	–	7,140
Mr. Yiu Chi Shing (note i)	–	400	–	400	–	–	–	–
Mr. Lui Siu Keung (note ii)	–	5,600	18	5,618	–	5,600	18	5,618
Mr. Jia Kun	–	1,540	96	1,636	–	1,540	56	1,596
Mr. Lu Zhaoheng	–	2,300	96	2,396	–	2,300	56	2,356
Mr. Li Yan	–	1,540	96	1,636	–	1,540	56	1,596
Non-executive director								
Mr. Xu Yongxuan (note iii)	209	–	–	209	250	–	–	250
Independent non-executive directors								
Mr. Li Chunyan	250	–	–	250	250	–	–	250
Dr. Luo Yongtai	250	–	–	250	250	–	–	250
Ms. Liu Yu Jie	250	–	–	250	250	–	–	250
	959	18,520	306	19,785	1,000	18,120	186	19,306

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

Notes:

(i) Mr. Yiu Chi Shing was appointed as an executive director of the Company with effect from 29th October, 2021.

(ii) Mr. Lui Siu Keung is also the chief executive officer ("CEO") of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.

(iii) Mr. Xu Yongxuan resigned as an non-executive director of the Company with effect from 29th October, 2021.

No emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as a compensation for loss of office for both years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above was for his services as director of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as Directors.

Employees' emoluments

All the five individuals with the highest emoluments in the Group were Directors whose emoluments are disclosed above.

13. DIVIDENDS

	2021 **HK$'000**	2020 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 final dividend of HK7 cents (2020: 2019 final dividend of HK5 cents) per ordinary share	**185,159**	132,242
2021 interim dividend of HK3 cents (2020: 2020 interim dividend of HK2 cents) per ordinary share	**85,015**	52,897
	270,174	185,139
Final dividend, proposed, of HK8 cents (2020: HK7 cents) per ordinary share	**226,707**	185,138
Special dividend, proposed, of HK5 cents (2020: nil) per ordinary share	**141,691**	–

Subsequent to the end of reporting period, a final dividend of HK8 cents per ordinary share and special dividend of HK5 cents per ordinary share in respect of the year ended 31st December, 2021 (2020: final dividend of HK7 cents per ordinary shares and no special dividend in respect of the year ended 31st December, 2020) in an aggregate amount of HK$368,398,000 (2020: HK$185,138,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**1,188,997**	1,056,617

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,690,155**	2,644,833
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**3,667**	4,381
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,693,822**	2,649,214

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2020	9,180
Exchange adjustments	537
Decrease in fair value recognised in profit or loss (Note)	(481)
At 31st December, 2020	9,236
Exchange adjustments	263
Decrease in fair value recognised in profit or loss (Note)	(557)
At 31st December, 2021	8,942

Note:

The fair value of the Group's investment properties at 31st December, 2021 and 2020 has been arrived at on the basis of a valuation carried out on the respective dates by 河南九鼎資產評估有限公司 ("河南九鼎"), an independent qualified professional valuer not connected to the Group.

The fair value determined by 河南九鼎 was based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

The Group leases out various offices under operating leases with rentals payable monthly. The leases mainly run for an initial period of one to ten years.

15. INVESTMENT PROPERTIES *(Continued)*

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. At the end of each reporting periods, the CEO of the Group works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

Information about fair value measurements using significant unobservable inputs

The following table gives information about how the fair value of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Description	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of inputs to fair value
	2021	2020				
	HK$'000	HK$'000				
Commercial property units located in the PRC	**8,942**	9,236	Level 3	Income approach	Discount rate (2021: 5.77%; 2020: 6.14%)	The higher the discount rate, the lower the fair value

There were no transfers into or out of Level 3 during the year.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Pipelines HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION								
At 1st January, 2020	944,677	2,361,523	31,456	6,127,073	783,257	32,846	142,955	10,423,787
Exchange adjustments	64,296	163,612	3,036	523,556	56,628	2,387	8,878	822,393
Additions	7,866	1,769,389	409	48,574	34,111	4,142	13,852	1,878,343
Disposals	(4,689)	(1,628)	–	(7,423)	(19,051)	(132)	(8,123)	(41,046)
Transfer	88,447	(1,322,947)	20,293	1,111,825	101,085	308	989	–
Transfer from right-of-use assets	–	–	–	448,798	–	–	–	448,798
Revaluation	–	–	–	(162,459)	–	–	–	(162,459)
At 31st December, 2020	1,100,597	2,969,949	55,194	8,089,944	956,030	39,551	158,551	13,369,816
Exchange adjustments	34,837	95,027	1,623	282,815	30,462	1,374	4,580	450,718
Acquisition of business (note 38)	302	76	–	2,557	237	3	10	3,185
Additions	89,203	1,489,328	2,649	13,130	70,998	10,070	14,107	1,689,485
Disposals	(18,444)	(38,921)	(303)	(11,908)	(17,783)	(848)	(7,104)	(95,311)
Transfer	61,191	(726,137)	–	623,613	39,642	865	826	–
Revaluation	–	–	–	327,589	–	–	–	327,589
At 31st December, 2021	1,267,686	3,789,322	59,163	9,327,740	1,079,586	51,015	170,970	15,745,482
DEPRECIATION								
At 1st January, 2020	120,188	–	12,058	–	284,278	18,219	52,036	486,779
Exchange adjustments	9,610	–	905	69,435	22,897	1,420	4,184	108,451
Provided for the year	22,515	–	4,117	238,371	64,653	3,179	12,968	345,803
Eliminated on disposals	(285)	–	–	(1,444)	(5,103)	(81)	(5,181)	(12,094)
Eliminated on revaluation	–	–	–	(306,362)	–	–	–	(306,362)
At 31st December, 2020	152,028	–	17,080	–	366,725	22,737	64,007	622,577
Exchange adjustments	5,233	–	535	40,312	12,813	800	2,300	61,993
Provided for the year	25,454	–	4,437	302,303	72,720	5,430	15,436	425,780
Eliminated on disposals	(5,951)	–	–	(2,368)	(6,774)	(690)	(4,650)	(20,433)
Eliminated on revaluation	–	–	–	(340,247)	–	–	–	(340,247)
At 31st December, 2021	176,764	–	22,052	–	445,484	28,277	77,093	749,670
CARRYING VALUES								
At 31st December, 2021	1,090,922	3,789,322	37,111	9,327,740	634,102	22,738	93,877	14,995,812
At 31st December, 2020	948,569	2,969,949	38,114	8,089,944	589,305	16,814	94,544	12,747,239

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis after taking into account the residual values at the following rates per annum:

Buildings	Over the remaining terms of leases
Leasehold improvements	Over the remaining terms of leases
Pipelines	Over the shorter of 30 years or operation period of the relevant company
Machinery and equipment	6% – 30%
Furniture and fixtures	20%
Motor vehicles	10% – 18%

As at 31st December, 2021, the Group is in the process of obtaining title deeds from relevant government authority for its buildings in the PRC amounting to HK$190,669,000 (2020: HK$154,460,000). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

Fair value measurement of the Group's pipelines included in property, plant and equipment

At 31st December, 2021 and 2020, the fair value of the Group's pipelines was valued by the independent qualified professional valuer, GW Financial Advisory Services Limited, using DRC approach.

In determining the fair value of the pipelines, at the end of each reporting period, the CEO works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the assets. Discussion of valuation processes and results is held between CEO and the Directors at least once a year.

The fair value of the pipelines has been determined using the DRC approach that reflects the cost to a market participant to construct assets of comparable utility and the age of the pipelines, adjusted for obsolescence. The Group has determined that the highest and best use of the pipelines at the measurement date would be their existing use.

The Group's pipelines at revalued amount are categorised into level 3 of the fair value hierarchy.

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Fair value measurement of the Group's pipelines included in property, plant and equipment *(Continued)*

The following table shows the valuation technique used in the determination of fair value and unobservable inputs used in the valuation model.

Description	Fair value 2021 HK$'000	Fair value 2020 HK$'000	Valuation techniques	Significant unobservable inputs	Significant inputs
Pipelines included in property, plant and equipment	**9,327,740**	8,089,944	DRC approach	(a) historical labour cost (RMB/year)	(a) RMB69,986 (2020: RMB65,580)
				(b) historical raw chemical materials purchasing price indices for industrial producers	(b) 115.1 (2020: 92.7)

A significant positive adjustment to any of the above significant unobservable inputs would result in a significant increase in fair value of the pipelines, and vice versa.

Had the pipelines included in property, plant and equipment at 31st December, 2021 been carried at cost less accumulated depreciation, its carrying value would have been approximately HK$6,946,281,000 (2020: HK$6,361,335,000).

17. RIGHT-OF-USE ASSETS

	Pipelines	Leasehold lands	Leased properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST OR VALUATION				
At 1st January, 2020	456,633	556,492	31,270	1,044,395
Additions	–	2,347	18,549	20,896
Transfer to property, plant and equipment	(458,686)	–	–	(458,686)
Eliminated upon leases expired	–	–	(3,118)	(3,118)
Exchange adjustments	2,053	34,314	2,576	38,943
At 31st December, 2020	–	593,153	49,277	642,430
Additions	–	30,061	8,280	38,341
Acquisition of business (note 38)	–	1,316	–	1,316
Disposals	–	(1,778)	–	(1,778)
Eliminated upon leases expired	–	–	(6,739)	(6,739)
Exchange adjustments	–	17,909	1,331	19,240
At 31st December, 2021	–	640,661	52,149	692,810
DEPRECIATION				
At 1st January, 2020	–	11,606	10,505	22,111
Charge for the year	9,888	13,902	14,509	38,299
Eliminated on transfer to property, plant and equipment	(9,888)	–	–	(9,888)
Eliminated upon leases expired	–	–	(3,118)	(3,118)
Exchange adjustments	–	1,501	1,104	2,605
At 31st December, 2020	–	27,009	23,000	50,009
Charge for the year	–	15,793	15,575	31,368
Eliminated on disposals	–	(276)	–	(276)
Eliminated upon leases expired	–	–	(6,739)	(6,739)
Exchange adjustments	–	1,042	685	1,727
At 31st December, 2021	–	43,568	32,521	76,089
CARRYING VALUES				
At 31st December, 2021	–	597,093	19,628	616,721
At 31st December, 2020	–	566,144	26,277	592,421

17. RIGHT-OF-USE ASSETS *(Continued)*

The above items of right-of-use assets are depreciated on a straight-line basis at the following rates per annum:

Pipelines	Over the shorter of 30 years or operation period of the relevant company
Leasehold lands	Over the remaining terms of leases
Leasehold properties	Over the remaining terms of leases

Expense relating to short-term leases and low value lease is HK$2,114,000 (2020: HK$4,095,000) during the year ended 31st December 2021.

The Group regularly entered into short-term lease for offices, staff quarters and gas containers. As at 31st December, 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Total cash outflow for lease was HK$41,472,000 (2020: HK$81,582,000) for the year ended 31st December, 2021.

For both years, the Group leases various pipelines, offices, staff quarters and gas containers for its operations. Lease contracts are entered into for fixed term of one year to twenty-five years with no options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the Group owns several properties. The Group is the registered owner of these properties, including leasehold lands which are for fixed term of eighteen years to fifty-three years.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of HK$64,992,000 (2020: HK$67,424,000) in which the Group is in the process of obtaining.

18. GOODWILL

	2021	2020
	HK$'000	HK$'000
Cost and carrying amount		
At 1st January	**437,188**	411,885
Exchange adjustments	**13,125**	25,303
Arising on acquisition of business (note 38)	**18,266**	–
At 31st December	**468,579**	437,188

For the purposes of impairment testing, the carrying amount of goodwill is attributable to certain cash-generating units ("CGUs") relating to sales of gas ("Unit A") amounting to HK$276,087,000 in aggregate (2020: HK$255,447,000), pipeline construction ("Unit B") amounting to HK$78,270,000 in aggregate (2020: HK$70,776,000), different subsidiaries of Harmony Gas engaging in sales of gas ("Unit C") amounting to HK$99,034,000 in aggregate (2020: HK$96,210,000) and design and consulting of energy projects ("Unit D") amounting to HK$15,188,000 in aggregate (2020: HK$14,755,000).

Impairment testing on Unit A

Unit A consists of all CGUs which represent the operations of different subsidiaries engaging in sales of gas, of which goodwill of HK$276,087,000 (2020: HK$255,447,000) is attributable to certain CGUs within Unit A. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit A comprise other intangible assets of HK$980,091,000 (2020: HK$955,316,000), goodwill of HK$276,087,000 (2020: HK$255,447,000), property, plant and equipment of HK$5,889,059,000 (2020: HK$5,345,850,000) and right-of-use assets of HK$247,305,000 (2020: HK$248,134,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2021 and 2020:

Period of cash flow projections	5 years (2020: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by the management	2% to 3% (2020: 2% to 3%)
Discount rate	14.00% (2020: 14.05%)

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. No impairment loss is considered necessary for CGUs with attributed goodwill for the years ended 31st December, 2021 and 2020. Impairment losses of HK$205,294,000 in respect of other intangible assets of two CGUs was recognised during the year ended 31st December, 2020 as set out in note 19.

18. GOODWILL *(Continued)*

Impairment testing on Unit B

Unit B consists of several CGUs which represent operations of different subsidiaries engaging in the pipeline constructions. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of respective CGU. The aggregate carrying amounts of the CGUs of Unit B comprise other intangible assets of HK$76,142,000 (2020: HK$58,717,000) and goodwill of HK$78,270,000 (2020: HK$70,776,000). The recoverable amount of each CGU has been determined based on value in use calculation of each CGU using the following assumptions for 2021 and 2020:

Period of cash flow projections	5 years (2020: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by the management	2% (2020: 2%)
Discount rate	14.00% (2020: 14.05%)

This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit B to exceed the individual recoverable amount of each CGU within Unit B. At the end of each reporting period, the recoverable amounts of each CGU of Unit B exceeds its carrying amount, therefore, no impairment loss is considered necessary for the years ended 31st December, 2021 and 2020.

18. GOODWILL *(Continued)*

Impairment testing on Unit C

Unit C consists of several CGUs which represent the operations of different subsidiaries of Harmony Gas engaging in sales of gas. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit C comprise other intangible assets of HK$333,680,000 (2020: HK$346,880,000), goodwill of HK$99,034,000 (2020: HK$96,210,000), property, plant and equipment of HK$2,795,727,000 (2020: HK$2,345,590,000) and right-of-use assets of HK$68,849,000 (2020: HK$63,617,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2021 and 2020:

Period of cash flow projections	5 years (2020: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by the management	2% (2020: 2%)
Discount rate	14.00% (2020: 14.05%)

The growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit C to exceed the individual recoverable amount of each CGU within Unit C. At the end of each reporting period, the recoverable amount of each CGU of Unit C exceeds its carrying amount and no impairment loss is considered necessary for the years ended 31st December, 2021 and 2020.

18. GOODWILL *(Continued)*

Impairment testing on Unit D

Unit D consists of several CGUs which represent the operations of different subsidiaries engaging in design and consulting of energy projects. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit D comprise other intangible assets of HK$16,346,000 (2020: HK$18,148,000), goodwill of HK$15,188,000 (2020: HK$14,755,000) and property, plant and equipment of HK$3,752,000 (2020: HK$4,166,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2021 and 2020:

Period of cash flow projections	5 years (2020: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by the management	2% (2020: 2%)
Discount rate	18.10% (2020: 18.11%)

The growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit D to exceed the individual recoverable amount of each CGU within Unit D. At the end of each reporting period, the recoverable amount of each CGU of Unit D exceeds its carrying amount and no impairment loss is considered necessary for the years ended 31st December, 2021 and 2020.

19. OTHER INTANGIBLE ASSETS

	Exclusive rights of operation HK$'000	Other operating rights HK$'000	Technology know-how HK$'000	Total HK$'000
COST				
At 1st January, 2020	1,831,325	101,014	21,373	1,953,712
Exchange adjustments	105,747	3,480	1,313	110,540
Addition	169	–	–	169
At 31st December, 2020	1,937,241	104,494	22,686	2,064,421
Exchange adjustments	45,084	4,020	666	49,770
Acquisition of business (note 38)	64,225	–	–	64,225
Addition	167	–	–	167
Disposal	(361)	–	–	(361)
At 31st December, 2021	2,046,356	108,514	23,352	2,178,222
AMORTISATION AND IMPAIRMENT				
At 1st January, 2020	261,903	42,739	2,138	306,780
Exchange adjustments	30,168	–	253	30,421
Charged for the year	78,963	1,775	2,147	82,885
Impairment losses recognised	205,294	59,980	–	265,274
At 31st December, 2020	576,328	104,494	4,538	685,360
Exchange adjustments	6,091	4,020	168	10,279
Charged for the year	74,122	–	2,300	76,422
Eliminated on disposals	(98)	–	–	(98)
At 31st December, 2021	656,443	108,514	7,006	771,963
CARRYING VALUES				
At 31st December, 2021	1,389,913	–	16,346	1,406,259
At 31st December, 2020	1,360,913	–	18,148	1,379,061

19. OTHER INTANGIBLE ASSETS *(Continued)*

The exclusive rights of operation represent sales and distribution of piped gas in certain cities in Henan, Shandong, Fujian, Jiangsu, Heilongjiang, Hebei, Zhejiang, Jilin, Anhui provinces and Inner Mongolia are amortised on a straight-line method over the period of a range of 6 to 33 years (2020: 7 to 34 years), which is the remaining finite useful life period being granted for exclusive operations in the relevant cities.

Due to the redevelopment in Jingqiao Town, Nanjing City in Jiangsu, such town was no longer an industrial zone. Expected future cash flow generated by industrial customers could not be realised. A subsidiary, 南京晶橋中裕燃氣有限公司 ("南京晶橋") located in Jingqiao Town was suffered loss for year ended 31st December, 2020. Management considers there was an impairment indicator to the exclusive right of operation possessed by 南京晶橋, in which the Group previously acquired such asset through acquisition of 南京晶橋. During the year ended 31st December, 2020, the management performed an assessment of recoverable amount of 南京晶橋 based on the value in use calculation. Impairment loss of HK$117,037,000 was recognised during the year ended 31st December, 2020.

Another subsidiary, 鐵力中裕燃氣有限公司 ("鐵力中裕") originally expected to develop the operation of sales of piped gas in Chengguan Town, Tieli City in Heilongjiang since its acquisition, is not able to commence the supply of piped gas as initially contemplated due to sever delay of construction of main pipelines by local government and hence the expected future cash flows could not be realised. Accordingly, impairment loss of HK$88,257,000 to the exclusive rights of operation possessed by 鐵力中裕, in which the Group previously acquired such asset through acquisition of 鐵力中裕, was recognised during the year ended 31st December, 2020.

Other operating rights represent the licences possessed by the Group's subsidiaries, 濟源中裕壓縮氣有限公司, 漯河中裕壓縮氣有限公司 and 三門峽中裕能源有限公司 to operate eight CNG vehicle filling stations in Jiyuan City, Luohe City and Sanmenxia City and are amortised on a straight-line method over a period of 30 years, which is the period of the licenses being granted for operating CNG vehicle filling stations. During the year ended 31st December, 2020, losses were suffered by these subsidiaries which management considers there was an impairment indicator to the other operating rights. Management performed an assessment of recoverable amount of these subsidiaries. Impairment loss of HK$59,980,000 was recognised during the year ended 31st December, 2020.

Technology know-how represents the technology developed for design and consulting of energy projects which arose upon acquisition of 北京恩耐特分佈能源技術有限公司 and its subsidiaries during the year ended 31st December, 2018. Technology know-how is amortised on a straight-line method over a period of 10 years.

The Group tests intangible assets if there are indications that intangible assets might be impaired.

19. OTHER INTANGIBLE ASSETS *(Continued)*

The carrying amounts of intangible assets related to the respective units are as follows:

	2021 HK$'000	2020 HK$'000
Unit A	**980,091**	955,316
Unit B	**76,142**	58,717
Unit C	**333,680**	346,880
Unit D	**16,346**	18,148
	1,406,259	1,379,061

Impairment assessment of CGUs within Unit A, B, C and D based on value in use calculation are set out in note 18.

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Deposits paid for acquisition of property, plant and equipment	**483,449**	502,155
Deposits paid for leasehold lands	**135,018**	101,896
Investment components of life insurance contracts	**–**	79,445
Prepayments of insurance premium	**–**	2,537
Loans to employees	**613,964**	608,769
Other long-term deposits	**14,900**	15,665
	1,247,331	1,310,467

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Deposits paid for acquisition of property, plant and equipment

As at 31st December, 2021, deposit of RMB243,569,000 (equivalent to HK$297,907,000) (2020: RMB193,472,000 (equivalent to HK$229,886,000)) was paid to a supplier for acquisition of construction materials mainly for construction of the Group's pipelines.

Investment components of life insurance contracts

The Group had entered into two life insurance contracts with HSBC Life (International) Limited to insure two executive directors of the Company.

Under the policies, the beneficiary and policy holder is the Company, and the total insured sum is approximately US$32,000,000 (equivalent to HK$248,205,000). The Company paid US$9,272,000 (equivalent to HK$71,866,000), including premium charge at inception of the policies amounting to US$556,347 (equivalent to HK$4,315,000). During the year ended 31st December, 2021, the Company has requested a full surrender of policies and received cash back based on the cash value of the policies at the date of withdrawal, which is determined based on the gross premium paid plus accumulated income earned (based on the discretion by HSBC Life (International) Limited) and minus insurance premium charged at inception.

During the year ended 31st December, 2021, income from investments in life insurance contracts of HK$1,897,000 (2020: HK$2,802,000) was recognised in profit or loss.

Loans to employees

At 31st December, 2021, included in the Group's other receivables balances are loans to employees with aggregate carrying amount of HK$613,964,000 (2020: HK$608,769,000) which are for the purpose of enabling the PRC employees to early exercise their share options granted by the Company. The loans are secured by the shares held by the employees, interest bearing at 4% per annum and repayable within two years.

21. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in associates	**491,587**	319,655
Share of post-acquisition results, net of dividends received	**196,730**	180,024
Exchange adjustments	**25,975**	7,853
	714,292	507,532

Details of the Group's associates as at 31st December, 2020 and 2021 are as follows:

Name of company	Place of establishment	Form of business structure	Proportion of nominal value of registered capital held by the Group		Principal activities
			2021	2020	
Beijing Zhongran Xiangke Oil and Gas Technology Co., Ltd. ("Zhongran Xiangke")	PRC	Sino-foreign joint venture	**40%**	40%	Sales of natural gas and gas pipeline construction
Yunnan Yuntou Zhongyu Energy Co., Ltd. ("Yunnan Yuntou")	PRC	Limited liability company	**39%**	39%	Sales of natural gas and gas pipeline construction
Chongqing Zhongran New Energy Co., Ltd	PRC	Limited liability company	**20%**	20%	Design and consulting of energy projects
Henan Xinao Zhongyu Gas Co., Ltd. ("Henan Xinao Zhongyu")	PRC	Limited liability company	**25% (Note)**	–	Sales of natural gas and other energies

Note: On 31st July, 2021, the Group acquired 25% of the registered share capital of Henan Xinao Zhongyu for a consideration of RMB143,000,000 (equivalent to HK$171,932,000) from independent third parties.

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates

Summarised financial information in respect of the Group's major associates is set out below. The summarised financial information below represents amounts shown in the associates' management accounts which are prepared in accordance with HKFRSs. All of these associates are accounted for using the equity method in the Group's consolidated financial statements.

Zhongran Xiangke

Zhongran Xiangke and its subsidiaries (collectively "Zhongran Xiangke Group")

	2021 **HK$'000**	2020 HK$'000
Current assets	**1,039,008**	1,005,896
Non-current assets	**1,219,569**	1,137,548
Current liabilities	**(865,558)**	(906,400)
Net assets	**1,393,019**	1,237,044
Equity attributable to owners of Zhongran Xiangke Group	**990,848**	952,645
Non-controlling interests	**402,171**	284,399
	1,393,019	1,237,044
Revenue	**1,555,693**	1,231,103
Profit for the year	**121,916**	154,629
Dividend received from Zhongran Xiangke Group during the year	**33,735**	–
Total comprehensive income for the year attributable to:		
Owners of Zhongran Xiangke Group	**38,203**	182,645
Non-controlling interests	**117,772**	43,043
	155,975	225,688

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates *(Continued)*

***Zhongran Xiangke** (Continued)*

Zhongran Xiangke and its subsidiaries (collectively "Zhongran Xiangke Group") (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhongran Xiangke Group recognised in the consolidated financial statements:

	2021 HK$'000	2020 HK$'000
Equity attributable to owners of Zhongran Xiangke Group	**990,848**	952,645
Proportion of the Group's ownership interest in Zhongran Xiangke Group at 40%	**396,339**	381,058
Carrying amount of the Group's interest in Zhongran Xiangke Group	**396,339**	381,058

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates *(Continued)*

Yunnan Yuntou

Yunnan Yuntou and its subsidiaries (collectively "Yunnan Yuntou Group")

	2021	2020
	HK$'000	HK$'000
Current assets	**665,300**	322,531
Non-current assets	**1,007,411**	1,027,549
Current liabilities	**(1,099,252)**	(968,314)
Non-current liabilities	**(204,239)**	(62,659)
Net assets	**369,220**	319,107
Equity attributable to owners of Yunnan Yuntou Group	**356,595**	318,197
Non-controlling interests	**12,625**	910
	369,220	319,107
Revenue	**1,051,886**	606,957
Profit for the year	**18,800**	3,042
Total comprehensive income (expense) for the year attributable to:		
Owners of Yunnan Yuntou Group	**38,398**	19,242
Non-controlling interests	**11,715**	(532)
	50,113	18,710

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates *(Continued)*

***Yunnan Yuntou** (Continued)*

Yunnan Yuntou and its subsidiaries (collectively "Yunnan Yuntou Group") (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yunnan Yuntou Group recognised in the consolidated financial statements:

	2021 **HK$'000**	2020 HK$'000
Equity attributable to owners of Yunnan Yuntou Group	**356,595**	318,197
Proportion of the Group's ownership interest in Yunnan Yuntou Group at 39%	**139,072**	124,097
Carrying amount of the Group's interest in Yunnan Yuntou Group	**139,072**	124,097

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates *(Continued)*

Henan Xinao Zhongyu

	2021 HK$'000
Current assets	26,025
Non-current assets	488,872
Current liabilities	(13,417)
Net assets	501,480
Equity attributable to owners of Henan Xinao Zhongyu	501,480
Revenue	83,156
Profit for the year	6,036

21. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of major associates *(Continued)*

Henan Xinao Zhongyu *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Henan Xinao Zhongyu recognised in the consolidated financial statements:

	2021 **HK$'000**
Equity attributable to owners of Henan Xinao Zhongyu	**501,480**
Proportion of the Group's ownership interest in Henan Xinao Zhongyu at 25%	**125,370**
Goodwill	**51,064**
	176,434
Carrying amount of the Group's interest in Henan Xinao Zhongyu	**176,434**

22. INTERESTS IN JOINT VENTURES

	2021 **HK$'000**	2020 HK$'000
Cost of unlisted investments in joint ventures	**20,244**	20,244
Share of post-acquisition results	**(3,482)**	(2,121)
Exchange adjustments	**1,596**	1,053
	18,358	19,176

22. INTERESTS IN JOINT VENTURES *(Continued)*

Details of the Group's joint ventures as at 31st December, 2020 and 2021 are as follows:

Name of Company	Place of establishment	Form of business structure	Proportion of nominal value of registered capital held by the Group		Principal activities
			2021	2020	
故城華洋管道設備安裝有限公司	PRC	Limited liability company	**50%**	50%	Not yet commenced business
河南中豫新創產業投資管理有限公司	PRC	Limited liability company	**30%**	30%	Not yet commenced business

As all the relevant activities of the above entities require unanimous consent from all joint venture parties, it is accounted for as joint ventures by the Group.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 **HK$'000**	2020 HK$'000
Unlisted equity investments (Note)	**83,537**	81,155
Other investments	**2,720**	2,720
	86,257	83,875

Note: The above unlisted equity investments represent the Group's equity interests in certain private entities established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are not held for trading and not expected to be sold in the foreseeable future.

24. INVENTORIES

	2021 HK$'000	2020 HK$'000
Construction materials	**597,794**	507,918
Finished goods	**92,101**	81,680
	689,895	589,598

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	HK$'000
COST	
At 1st January, 2020	110,871
Additions	45,869
Exchange adjustments	9,410
At 31st December, 2020	166,150
Additions	53,963
Exchange adjustments	5,696
At 31st December, 2021	225,809
Properties under development for sales of which:	
– expected to be realised within 12 months	225,809
– expected to be realised over 12 months	–
	225,809

The leasehold lands are measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31st December, 2021.

The properties under development for sale of the Group are situated in the PRC.

26. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days (2020: 30 days) to its trade customers. The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the respective construction contracts completion dates, as appropriate:

	2021	2020
	HK$'000	HK$'000
0 – 30 days	**784,715**	744,534
31 – 90 days	**161,349**	127,517
91 – 180 days	**162,539**	94,846
181 – 360 days	**481,316**	523,979
Over 360 days	**457,482**	280,637
Trade receivables	**2,047,401**	1,771,513

As at 31st December, 2021, total bills received amounting to HK$132,287,000 (2020: HK$88,120,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

The amounts due from certain PRC local governments for the "Coal-to-gas" projects under the "gas pipeline construction" segment is included in the carrying amount of trade receivables.

As at 31st December, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,195,151,000 (2020: HK$971,547,000) which are past due as at the reporting date. Out of the past due balances, HK$1,079,493,000 (2020: HK$869,008,000) has been past due 90 days or more and is not considered as in default as these are represented by the debtors without bad debt history or the PRC local governments with low credit risks. The Group does not hold any collateral over these balances.

As at 31st December, 2021, deposits, prepayments and other receivables are advances to suppliers of natural gas and construction materials for customers' gas pipeline construction amounting to HK$1,151,435,000 (2020: HK$840,149,000).

Details of impairment assessment of trade receivables, deposits and other receivables are set out in note 44.

27. AMOUNTS DUE FROM AN ASSOCIATE AND A RELATED PARTY

(a) As at 31st December, 2020, amount due from an associate of RMB50,000,000 (equivalent to HK$59,411,000) was unsecured, interest bearing at 7.39% per annum and repayable within one year. Amount was fully settled during the year ended 31st December, 2021.

(b) As at 31st December, 2021, amount due from a related party represented amount due from a non-controlling shareholder of a subsidiary of the Group of RMB7,500,000 (equivalent to HK$9,173,000) (2020: RMB7,500,000 (equivalent to HK$8,912,000)) which is secured by its equity interest of that subsidiary, interest bearing at 7.8% (2020: 7.8%) per annum and repayable within one year (2020: one year).

28. CONTRACT ASSETS/LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract assets – current		
Construction contracts in gas pipeline construction	515,356	609,259
Contract liabilities – current		
Construction contracts in gas pipeline construction	815,464	788,823
Purchase of natural gas	1,023,076	677,488
	1,838,540	1,466,311

At as 1st January, 2020, contract assets and contract liabilities amounting to HK$509,321,000 and HK$1,097,362,000, respectively.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:

28. CONTRACT ASSETS/LIABILITIES *(Continued)*

Construction contracts in respect of gas pipeline construction

The contract assets primarily relate to the Group's right to consideration for work completed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on contract work. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group's revenue from construction contracts is measured by input method. The Group requires certain customers to provide upfront deposits before the commencement of the construction work as part of its credit risk management policies.

When the Group receives a deposit before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Purchase of natural gas

The Group would require advance payment before the usage of the natural gas for certain customers, any shortage against the periodically actual charge for the actual usage of natural gas will be billed by the Group accordingly. These customers are required to top up the advance payment for future usage of natural gas to be supplied by the Group. The Group requires advance payment before the usage of the natural gas through the prepaid card for certain household users. The charge of the actual usage of natural gas will be deducted directly to the balance of the prepaid card. These customers can only consume the natural gas up to the balance of the prepaid card. This will give rise to contract liabilities until the revenue recognised on the relevant contract exceeds the amount of advance payment.

28. CONTRACT ASSETS/LIABILITIES *(Continued)*

Purchase of natural gas *(Continued)*

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2021		2020	
	Construction contracts HK$'000	**Purchase of natural gas HK$'000**	Construction contracts HK$'000	Purchase of natural gas HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**788,823**	**677,488**	557,352	540,010

Details of the impairment assessment of contract assets are set out in note 44.

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances carry interest at market rates which ranged from 0.01% to 0.35% (2020: 0.01% to 0.35%) per annum as at 31st December, 2021. At 31st December, 2021, the bank balances and cash consisted of HK$1,573,192,000 (2020: HK$1,672,452,000) are denominated in RMB.

As at 31st December, 2021, the bank balances and cash consisted of HK$115,504,000 and HK$132,168,000 (2020: HK$35,365,000 and HK$36,482,000) are denominated in United States Dollars ("US$") and HK$ respectively, which are foreign currencies of the respective group entities.

As at 31st December, 2021, pledged bank deposits of RMB40,000,000 (equivalent to HK$48,924,000) (2020: RMB4,000,000 (equivalent to HK$4,753,000)) were used to secure the short-term general banking facilities granted to the Group, accordingly, the deposits were classified as current assets.

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES AND DEFERRED INCOME AND ADVANCE RECEIVED

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**815,426**	654,015
31 – 90 days	**290,799**	616,971
91 – 180 days	**189,433**	211,674
Over 180 days	**434,558**	399,729
Trade payables	**1,730,216**	1,882,389

The average credit period on purchase of goods is 90 days (2020: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31st December, 2021, deferred income and advance received classified as non-current liabilities are government grants of HK$6,258,000 (2020: HK$6,688,000) received by the Group, and will be released to profit or loss when the related costs (for which the grants are intended to compensate) are recognised in profit or loss. Due to redevelopment of Jiaozuo City, Jiaozuo government subsidised the Group for enhancement and relocation of certain pipelines in Jiaozuo City.

As at 31st December, 2021, included in other payables and accrued charges are (i) refundable security deposits received from customers in relation to gas supply of HK$55,048,000 (2020: HK$48,161,000); (ii) accrued expenses of HK$55,007,000 (2020: HK$53,173,000); (iii) unsettled consideration for the acquisition of assets and liabilities through acquisition of subsidiaries of nil (2020: RMB454,000, equivalent to HK$539,000); (iv) unsettled consideration for the acquisition of subsidiaries of RMB58,035,000, equivalent to HK$70,982,000 (2020: RMB3,360,000, equivalent to HK$3,992,000); and (v) unsettled consideration for the acquisition of additional interests in a subsidiary of nil (2020: RMB22,750,000, equivalent to HK$27,032,000).

31. AMOUNT DUE TO AN ASSOCIATE

As at 31st December, 2021, the amount due to an associate amounting to RMB894,000 (equivalent to HK$1,094,000) (2020: RMB894,000 (equivalent to HK$1,063,000)) is unsecured, non-interest bearing and repayable on demand.

32. BORROWINGS

	2021 HK$'000	2020 HK$'000
Secured bank borrowings	**492,228**	566,835
Unsecured bank borrowings	**10,815,542**	11,009,290
Unsecured other borrowings	**13,210**	14,021
	11,320,980	11,590,146
Carrying amounts of the above bank borrowings are repayable*:		
Within one year	**3,873,584**	6,921,265
More than one year, but not exceeding two years	**3,510,096**	1,397,546
More than two years but not exceeding five years	**3,844,881**	2,892,063
More than five years	**5,357**	7,201
	11,233,918	11,218,075
Carrying amounts of above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**56,661**	358,050
More than one year, but not exceeding two years	**13,794**	–
More than two years but not exceeding five years	**3,397**	–
	73,852	358,050
Carrying amounts of the above other borrowings are repayable*:		
Within one year	**1,468**	–
More than one year, but not exceeding two years	**1,468**	1,426
More than two years but not exceeding five years	**4,403**	4,278
More than five years	**5,871**	8,317
	13,210	14,021
Less: Amounts due within one year shown under current liabilities	**(3,948,904)**	(7,279,315)
Amounts shown under non-current liabilities	**7,372,076**	4,310,831

* *the amounts due are based on scheduled repayment dates set out in the loan agreements.*

32. BORROWINGS *(Continued)*

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

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**4.00% – 5.09%**	4.00% – 5.10%
Variable-rate borrowings	**1.56% – 5.39%**	1.70% – 5.61%

The Group's certain variable-rate borrowings bear interest at a range of 100% to 118% (2020: 100% to 146%) of People's Bank of China ("PBOC") Prescribed Interest Rate per annum. LIBOR plus a premium ranging from 1.5% to 2.0% (2020: 1.5% to 2.0%) per annum and HIBOR plus a premium of 1.5% to 2.0% (2020: 1.75% to 2.0%) per annum is charged on remaining outstanding variable-rate loan balances.

As at 31st December, 2021, the bank borrowing balances consisted of HK$7,388,807,000 (2020: HK$4,054,941,000) and HK$493,592,000 (2020: HK$4,639,579,000) are denominated in US$ and HK$ respectively, which are foreign currencies of the respective group entities.

33. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**4,670**	7,265
Within a period of more than one year but not more than two years	**3,200**	3,887
Within a period of more than two years but not more than five years	**4,064**	4,908
Within a period of more than five years	**9,622**	11,317
	21,556	27,377
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,670)**	(7,265)
Amount due for settlement after 12 months shown under non-current liabilities	**16,886**	20,112

33. LEASE LIABILITIES *(Continued)*

Lease obligations that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	HK$'000
As at 31st December, 2021	500
As at 31st December, 2020	523

34. SHARE CAPITAL

	Notes	Number of shares		Amount	
		2021	2020	**2021**	2020
		'000	'000	**HK$'000**	HK$'000
Authorised:					
Ordinary shares at HK$0.01 each		**10,000,000**	10,000,000	**100,000**	100,000
Issued and fully paid:					
At the beginning of the year		**2,644,833**	2,644,833	**26,448**	26,448
Placement of shares	(i)	**188,000**	–	**1,880**	–
Exercise of share options	(ii)	**1,000**	–	**10**	–
At the end of the year		**2,833,833**	2,644,833	**28,338**	26,448

Notes:

(i) Pursuant to a subscription agreement dated 6th October, 2021, Fundway International Investment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Yiu Chi Shing, subscribed for 188,000,000 new ordinary shares in the Company at a price of HK$5.8 per ordinary share. The proceeds were used to reduce borrowings and to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3rd June, 2021 and rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31st December, 2021, 1,000,000 new shares were issued as a result of exercise of share options in respect of the share options granted on 5th January, 2018. Details are disclosed in note 36.

35. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years.

	Revaluation of investment properties and pipelines	Other intangible assets	Undistributed profits of subsidiaries	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2020	387,039	300,471	1,334	240,377	929,221
Exchange adjustments	25,023	13,625	81	21,442	60,171
(Credit) charge to profit or loss (note 10)	(13,972)	(28,208)	–	118,115	75,935
Charge to property revaluation reserve	35,976	–	–	–	35,976
At 31st December, 2020	434,066	285,888	1,415	379,934	1,101,303
Exchange adjustments	15,028	4,130	42	11,899	31,099
(Credit) charge to profit or loss (note 10)	(16,187)	(16,582)	–	49,519	16,750
Charge to property revaluation reserve	166,959	–	–	–	166,959
Acquisition of business (note 38)	–	16,056	–	–	16,056
At 31st December, 2021	599,866	289,492	1,457	441,352	1,332,167

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits amounting to HK$3,250,663,000 (2020: HK$2,778,614,000) of certain PRC subsidiaries in relation to owners of the Company. The Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31st December, 2021, the Group had unused estimated tax losses of HK$176,369,000 (2020: HK$261,953,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit stream. Included in unrecognised tax losses are losses of PRC subsidiaries of HK$172,591,000 (2020: HK$181,283,000) that will expire in various dates up to 2026 (2020: 2025), other losses may be carried forward indefinitely.

36. SHARE-BASED PAYMENT TRANSACTIONS

Share option schemes

Pursuant to an ordinary resolution passed on 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

Outstanding options under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with the Old Share Option after its termination.

Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option schemes *(Continued)*

The following table discloses movements of the Company's share options granted under the Old Share Option Scheme and New Share Option Scheme and movements in such holdings:

				Number of share options				
Category of grantee	**Exercise price per share** HK$	**Date of grant**	**Exercisable period**	**At 31st December, 2020**	**Exercised during the year**	**Forfeited during the year**	**Lapsed during the year**	**At 31st December, 2021**
Directors	0.4872	11th April, 2011	11th April, 2011 to 10th April, 2021	1,005,800	–	–	(1,005,800)	–
	5.4680	5th January, 2018	5th January, 2018 to 4th January, 2028	12,572,500	–	–	–	12,572,500
				13,578,300	–	–	(1,005,800)	12,572,500
Employees	5.4680	5th January, 2018	5th January, 2018 to 4th January, 2028	3,017,400	(1,000,000)	(5,800)	–	2,011,600
	5.4680	5th January, 2018	17th December, 2019 to 4th January, 2028 (Note)	1,508,700	–	–	–	1,508,700
				4,526,100	(1,000,000)	(5,800)	–	3,520,300
				18,104,400	(1,000,000)	(5,800)	(1,005,800)	16,092,800
Exercisable at the end of the year				18,104,400				16,092,800
Weighted average exercise price				HK$5.191	HK$5.468	HK$5.468	HK$0.4872	HK$5.468

Note: On 17th December, 2019, the shareholders approved the amendment of the vesting period of 108,123,500 options granted by the Company on 5th January, 2018 to certain employees of the Group. As a result, these options have become vested and exercisable from 17th December, 2019 until 4th January, 2028.

In respect of the share options exercised during the year ended 31st December, 2021, the weighted average share price at the dates of exercise was HK$6.82.

37. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended 31st December, 2020, the Group entered into certain sale and purchase agreements with the respective holders of the remaining equity interest of certain subsidiaries in the PRC for a total consideration of RMB51,200,000 (equivalent to HK$60,837,000). The difference between the consideration paid and the carrying amount of the additional interest acquired by the Group of HK$7,811,000 was debit to equity as other reserve during the year ended 31st December, 2020.

38. ACQUISITION OF BUSINESS

Year ended 31st December, 2021

Acquisition of a subsidiary – 浙江岱山安通

Pursuant to the purchase agreement dated 28th October, 2020 and the acquisition was completed on 31st August, 2021, the Group acquired 100% of the registered share capital of 浙江岱山安通天然氣管道有限公司 ("浙江岱山安通") for a consideration of RMB55,000,000 (equivalent to HK$66,209,000) from independent third parties. On the date of completion, control in 浙江岱山安通 was passed to the Group. This acquisition has been accounted for using the purchase method. 浙江岱山安通 is principally engaged in the sales of gas. 浙江岱山安通 was acquired so as to continue the expansion of the Group's operations.

Consideration transferred:

	HK$'000
Cash	66,209

38. ACQUISITION OF BUSINESS *(Continued)*

Year ended 31st December, 2021 *(Continued)*

Acquisition of a subsidiary – 浙江岱山安通 (Continued)

Assets acquired and liabilities of 浙江岱山安通 recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	3,185
Other intangible assets – exclusive right of operation in sales of piped gas	64,225
Trade receivables	555
Right-of-use assets	1,316
Inventories	205
Deposits, prepayments and other receivables	1,300
Bank balances and cash	3,025
Trade payables	(370)
Other payables and accrued charges	(7,232)
Borrowings	(2,408)
Tax recoverables	198
Deferred taxation	(16,056)
	47,943

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK$1,855,000 at the date of acquisition.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	66,209
Less: fair value of identifiable net assets acquired	(47,943)
	18,266

Goodwill arose in the acquisition of 浙江岱山安通 because the consideration paid for the acquisition included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce arising from the acquisition of 浙江岱山安通. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

38. ACQUISITION OF BUSINESS *(Continued)*

Year ended 31st December, 2021 *(Continued)*

Acquisition of a subsidiary – 浙江岱山安通 (Continued)

Net cash inflow on acquisition of 浙江岱山安通 during the year ended 31st December, 2021:

	HK$'000
Total cash consideration	66,209
Less: bank balances and cash acquired	(3,025)
Less: unsettled consideration (included in other payables and accrued charges as at 31st December, 2021) (RMB54,950,000)	(67,209)
	(4,025)

Included in the profit for the year ended 31st December, 2021 is loss of HK$214,000 attributable to 浙江岱山安通. Revenue for the year ended 31st December, 2021 includes HK$1,846,000 generated from 浙江岱山安通.

Had the acquisition of 浙江岱山安通 been completed on 1st January, 2021, total group revenue for the year would have been HK$11,350,037,000 and profit for the year would have been HK$1,262,002,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2021, nor is it intended to be a projection of future results.

39. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Undiscounted lease payments receivables on leases over non-cancellable period in respect of rented premises and equipment are as follows:

	2021	2020
	HK$'000	HK$'000
Within one year	**674**	1,207
In the second year	**690**	472
In the third year	**707**	475
In the fourth year	**495**	487
In the fifth year	**370**	312
After five years	**346**	346
	3,282	3,299

The Group's investment properties with a carrying amount of HK$8,942,000 (2020: HK$9,236,000) are held for rental purposes. All of the properties held have committed tenants for the next one to eight years (2020: one to nine years).

40. RETIREMENT BENEFITS PLANS

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per person.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

41. RELATED PARTY TRANSACTIONS

(a) Details of the interest income on amount due from an associate and the outstanding balances due from/to an associate are set out in notes 8, 27 and 31 respectively.

(b) Compensation of key management personnel

The Directors considered that they are the only key management personnel of the Group. Their emoluments are set out in note 12.

42. CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2021, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements is HK$149,021,000 (2020: HK$281,354,000).

43. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2021, the Group entered into new lease agreements for the use of leased properties for one year to two years. On the lease commencement, the Group recognised HK$8,280,000 of right-of-use assets and HK$8,280,000 of lease liabilities (2020: HK$18,549,000 of right-of-use assets and HK$18,549,000 of lease liabilities).

Part of the declared dividends amounting to HK$18,124,000 had mutually agreed by employees and the Company to off-set with the loans to employees for the year ended 31st December, 2021.

During the year ended 31st December, 2021, the dividends of HK$13,465,000 declared by subsidiary to non-controlling shareholders of subsidiary was contributed back to the subsidiary as capital injection from non-controlling shareholders.

During the year ended 31st December, 2020, short-term borrowings drawn on discounted bills with recourse amounted to HK$118,457,000 have been settled upon the maturity of the related bills.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in notes 32 and 33, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with the capital. The Group will balance its overall capital structure through new share issues, payment of dividends, repurchase of shares and the issue of new debt or the redemption of the existing debt.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTOCI	**86,257**	83,875
Financial assets at FVTPL	**–**	79,445
Financial assets at amortised cost (including cash and cash equivalents)	**4,979,265**	4,774,647
Financial liabilities		
Amortised cost	**13,776,975**	14,184,944

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, refundable deposits, other receivables, amounts due from an associate and a related party, pledged bank deposits and bank balances and cash, trade payables, other payables, amount due to an associate, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate amounts due from an associate and a related company, fixed-rate loans to employees, fixed-rate bank borrowings and fixed-rate lease liabilities. Currently, the Group has not used any derivative contracts to hedge this exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arise.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and variable-rate bank borrowings. The Group has not used any interest rate swaps to mitigate its exposure to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The interest rates of variable bank borrowings are based on (1) a range of multiples of PBOC Prescribed Interest Rate; or (2) interest rate at LIBOR plus a premium; or (3) interest rate at HIBOR plus a premium.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

***Market risk** (Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to the variable-rate bank borrowings at the end of the reporting period and management's assessment of the reasonably possible change interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If interest rates on bank borrowings had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$35,615,000 (2020: HK$39,052,000).

The directors considered the Group's exposure of the variable-rate bank balances to interest rate risk is not significant and therefore no sensitivity analysis is presented.

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant, except for certain bank balances and bank borrowings which are denominated in US$ or HK$, as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. The equivalent amount of HK$ are set out below:

	Assets		**Liabilities**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**115,504**	35,365	**7,388,807**	4,054,941
HK$	**132,167**	36,482	**493,592**	4,639,579
	247,671	71,847	**7,882,399**	8,694,520

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk in HK$ and US$.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against US$ or HK$. 5% (2020: 5%) represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes respective US$ and HK$ bank balances and bank borrowings, and adjusts their translation at the year end for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates increase in post-tax profit where RMB strengthen 5% (2020: 5%) against the relevant currencies. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	2021	2020
	HK$'000	HK$'000
US$	**272,744**	150,734
HK$	**13,553**	172,616

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, refundable deposits, other receivables, amount due from an associate and a related party, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets, except that the credit risks associated with loans to employees included in long term other receivables is mitigated because they are secured by the shares held by the employees.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model according to HKFRS 9 on trade receivables and contract assets based on collective assessment except for the debtors with credit-impaired balances which are assessed individually.

Deposits and other receivables and amount due from a related party

The Group has taken into account the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on deposits and other receivables and amount due from a related party are considered to be insignificant except for other receivables of HK$18,798,000 (2020: HK$18,141,000) which are considered as credit-impaired and fully provided.

The credit risk on loans to employees included in long term other receivables is insignificant as the loans are secured by the shares held as collateral by the Group.

Amount due from an associate

The Group has assessed the financial position of an associate as well as the economic outlook of the industry in which the associate operates, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on amount due from an associate is considered to be insignificant.

Pledged bank deposits and bank balances

The credit risk on liquid funds is limited because the counterparties are reputable banks in the PRC or banks with high credit-ratings assigned by international credit-rating agencies and the Group has limited exposure to any single financial institution.

As at 31st December, 2021, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the ECL is insignificant.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31st December, 2021 and 2020, other than the concentration of credit risk on the amounts due from an associate and a related party and loans to employees, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ Contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 HK$'000	Gross carrying amount 2020 HK$'000
Financial assets at amortised cost						
Other long-term deposits and other receivables	20	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	**628,864**	624,434
Trade receivables – contracts with customers	26	N/A	(Note)	Lifetime ECL (not credit-impaired and collective assessment)	**2,047,401**	1,771,513
				Lifetime ECL (credit-impaired)	**41,127**	41,127
					2,088,528	1,812,640
Deposits and other receivables	26	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	**424,039**	561,325
			Loss	Lifetime ECL (credit-impaired)	**18,798**	18,141
					442,837	579,466
Amount due from an associate	27	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	**–**	59,411
Amount due from a related party	27	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	**9,173**	8,912
Pledged bank deposits	29	A1	Low risk	12m ECL (not credit-impaired and assessed individually)	**48,924**	4,753
Bank balances	29	Aa2 to Baa3	Low risk	12m ECL (not credit-impaired and assessed individually)	**1,820,357**	1,743,200
Other item						
Contract assets	28	N/A	(Note)	Lifetime ECL (not credit-impaired and collective assessment)	**515,356**	609,259
				Lifetime ECL (credit-impaired)	**58,711**	60,546
					574,067	669,805

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired balances which are assessed individually, the Group determines the ECL on these items grouped by past due status for trade receivables and the status of the relevant projects of the contract assets. When there are indicators that the relevant trade receivables and contract assets may be credit-impaired, the relevant amounts will be assessed for ECL individually.

The Group uses aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due.

The Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31st December, 2021, the Group made an allowance of nil (2020: allowance of HK$25,534,000) and recognise reversal of HK$1,835,000 (2020: allowance of HK$13,200,000) on trade receivables and contract assets respectively and recognise HK$657,000 (2020: HK$12,625,000) of impairment loss allowance on other receivables, based on the individual assessment.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for both trade receivables and contract assets under the simplified approach and other receivables.

	Trade receivables Lifetime ECL (credit-impaired) HK$'000	Contract assets Lifetime ECL (credit-impaired) HK$'000	Other receivables Lifetime ECL (credit-impaired) HK$'000
As at 1st January, 2020	15,593	47,346	5,516
Net remeasurement of impairment losses allowance	25,534	13,200	12,625
As at 31st December, 2020	41,127	60,546	18,141
Net remeasurement of impairment losses allowance	–	(1,835)	657
As at 31st December, 2021	41,127	58,711	18,798

Liquidity risk

As at 31st December, 2021, the Group has net current liabilities of HK$1,318,166,000. As explained in note 3.1, the Directors have therefore given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. The Directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into accounts the cash flows from the profitable operations and new bank borrowings obtained by the Group amounting to appropriately HK$1,576,386,000 subsequent to 31st December, 2021 in which the borrowings are due after one year from the dates of drawdown.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on bank borrowings as significant sources of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with the relevant covenants.

The following table details the Group's remaining contractual maturity based on the agreed repayment terms for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest (estimated based on interest rate at the end of the reporting period) and principal cash flows.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

***Liquidity risk** (Continued)*

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31.12.2021 HK$'000
2021							
Trade payables	–	1,730,216	–	–	–	1,730,216	1,730,216
Other payables and accrued charges	–	724,685	–	–	–	724,685	724,685
Amount due to an associate	–	1,094	–	–	–	1,094	1,094
Borrowings							
– fixed rate	4.47	593,740	903,032	436,425	6,584	1,939,781	1,857,932
– variable rate	2.43	795,097	1,790,788	7,276,683	4,079	9,866,647	9,463,048
Lease liabilities	4.53	2,012	3,525	9,635	11,115	26,287	21,556
		3,846,844	2,697,345	7,722,743	21,778	14,288,710	13,798,531

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

***Liquidity risk** (Continued)*

Liquidity tables (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31.12.2020 HK$'000
2020							
Trade payables	–	1,882,389	–	–	–	1,882,389	1,882,389
Other payables and accrued charges	–	711,346	–	–	–	711,346	711,346
Amount due to an associate	–	1,063	–	–	–	1,063	1,063
Borrowings							
– fixed rate	4.41	365,318	686,703	157,005	9,247	1,218,273	1,176,198
– variable rate	3.38	820,912	5,857,871	4,348,184	7,614	11,034,581	10,413,948
Lease liabilities	4.61	2,999	5,338	11,288	13,386	33,011	27,377
		3,784,027	6,549,912	4,516,477	30,247	14,880,663	14,212,321

Note: The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

***Liquidity risk** (Continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2021 the aggregate carrying amounts of these bank loans amounted to HK$73,852,000 (2020: HK$358,050,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 3 months	3 months to 1 year	1-5 years	Total undiscounted cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st December, 2021	441	57,879	18,018	76,338	73,852
31st December, 2020	2,976	361,026	–	364,002	358,050

Interest rate benchmark reform

As listed in note 32, several of the Group's LIBOR/HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31st December, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30th June, 2023, in the case of the remaining US dollar settings.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform *(Continued)*

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform *(Continued)*

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year, no contracts which are linked to 1 week and 2 months LIBOR US dollar settings have been transitioned. In addition, for a floating rate loan that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity.

The Group is planning to transition LIBOR-linked contract through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to Secured Overnight Financing Rate ("SOFR") at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31st December, 2021. The amount of financial liabilities are shown at their carrying amounts.

Financial instruments prior to transition	**Maturing in**	**Carrying amounts** HK$'000	**Hedge accounting**	**Transition progress for financial instruments**
Non-derivative financial liabilities				
Bank loan linked to USD LIBOR	2024	3,781,288	N/A	Transitioned to SOFR
Bank loan linked to HIBOR	2023	493,592	N/A	HIBOR will continue till maturity

Fair value

The fair value of financial assets and financial liabilities carried at amortised cost are determined by in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurement recognised in the consolidated statement of financial position

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Fair value *(Continued)*

Fair value measurement recognised in the consolidated statement of financial position (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities in the consolidated statement of financial position	Fair value as at 31.12.2021	Fair value as at 31.12.2020	Fair value hierarchy	Valuation techniques and key inputs
1) Investments in unlisted equity investments classified as financial assets at FVTOCI	**Assets – HK$83,537,000**	Assets – HK$81,155,000	Level 3	Asset-Based approach – reference to fair values of the underlying assets and liabilities held by the investee.
2) Investment components of life insurance contracts classified as financial assets at FVTPL (Note)	**Assets – nil**	Assets – HK$79,445,000	Level 3	Discounted cash flows – reference to expected cash flows and applied appropriate discount rate

Note: *The returns of these investments are at the discretion of the insurer and the surrender charge is for termination of both the insurance and investment components. Accordingly, the Directors considered the account value as at 31st December, 2020 was an appropriate estimate of fair value.*

The Directors consider such exposure for fair value changes in financial assets are not significant. Accordingly, no sensitivity analysis is presented.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to an associate	Lease liabilities	Dividend payables	Dividend payables to non-controlling interests of subsidiaries	Interest payables	Borrowings	Total
	HK$'000	HK$'000 (Note 33)	HK$'000	HK$'000	HK$'000	HK$'000 (Note 32)	HK$'000
At 1st January, 2020	1,001	81,422	364	–	9,845	11,021,210	11,113,842
Financing cash flows	–	(76,949)	(177,393)	(24,423)	(349,742)	360,824	(267,683)
Non-cash movement of discounted bills with recourse	–	–	–	–	–	(118,457)	(118,457)
Dividend declared	–	–	185,139	24,423	–	–	209,562
Recognition of lease liabilities	–	18,549	–	–	–	–	18,549
Exchange adjustments – profit or loss	–	–	–	–	397	(121,721)	(121,324)
Exchange adjustments – other comprehensive income	62	1,826	–	–	–	397,679	399,567
Finance costs	–	2,529	–	–	342,595	50,611	395,735
At 31st December, 2020	1,063	27,377	8,110	–	3,095	11,590,146	11,629,791
Financing cash flows	–	(16,092)	(259,992)	(4,342)	(310,453)	(563,994)	(1,154,873)
Non-cash movements (note 43)	–	–	(18,124)	(13,465)	–	–	(31,589)
Dividend declared	–	–	270,174	17,807	–	–	287,981
Recognition of lease liabilities	–	8,280	–	–	–	–	8,280
Exchange adjustments – profit or loss	–	–	–	–	190	(123,345)	(123,155)
Exchange adjustments – other comprehensive income	31	691	–	–	–	366,679	367,401
Finance costs	–	1,300	–	–	317,020	51,494	369,814
At 31st December, 2021	1,094	21,556	168	–	9,852	11,320,980	11,353,650

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31st December, 2021 and 2020

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
Zhongyu Gas Investment Limited	Hong Kong	Limited liability company	1 ordinary share of HK$1 each	100#	100#	Investment holding
Zhongyu Gas Investment Limited###	British Virgin Islands	Incorporated	1 ordinary share of US$1 each	100#	100#	Investment holding
Zhongyu Gas Investment (Beijing) Limited###	British Virgin Islands	Incorporated	1 ordinary share of US$1 each	100#	100#	Investment holding
China City Gas Construction Holdings Co., Ltd.###	British Virgin Islands	Incorporated	100 ordinary shares of US$1 each	100##	100##	Investment holding
China City Gas Construction Explore Co., Ltd.###	British Virgin Islands	Incorporated	100 ordinary shares of US$1 each	100##	100##	Investment holding
China Gas Construction Expansion Co., Ltd.###	British Virgin Islands	Incorporated	1,330,000 ordinary shares of US$1 each	100##	100##	Investment holding
China City Gas Construction Development Co., Ltd.###	British Virgin Islands	Incorporated	100 ordinary shares of US$1 each	100##	100##	Investment holding
China City Gas Construction Investment Co., Ltd.###	British Virgin Islands	Incorporated	100 ordinary shares of US$1 each	100##	100##	Investment holding
Zhongyu Gas Energy Investment Limited###	British Virgin Islands	Incorporated	50,000 ordinary shares of US$1 each	100#	100#	Investment holding
Zhongyu (Hong Kong) Property Services Investment Limited	Hong Kong	Incorporated	1 ordinary share of HK$1 each	100#	100#	Investment holding

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
浙江中裕燃氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital US$20,000,000	**100##**	100##	Trading of natural gas, gas pipeline construction and operation of CNG/ LNG vehicle filling stations
中裕城市能源投資控股(深圳)有限公司	PRC	Wholly-foreign owned enterprise	Registered capital US$100,000,000	**100##**	100##	Investment holding
三門峽中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK$50,000,000	**90##**	90##	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
新密中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK$15,000,000	**97##**	97##	Trading of natural gas and gas pipeline construction
新密中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB63,000,000	**99.8##**	99.8##	Operation of CNG/LNG vehicle filling stations
偃師中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK$25,000,000	**95##**	95##	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
永城中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK$110,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
永城中裕運輸有限公司	PRC	Limited liability company	Registered capital RMB600,000	**100##**	100##	Dangerous goods transportation
臨沂中裕能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital HK$448,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
臨沂中裕能源智慧科技有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
臨沭中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB15,160,000	**100##**	100##	Trading of natural gas and gas pipeline construction
東海縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
濟源中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB120,000,000	**92.9##**	92.9##	Trading of natural gas and gas pipeline construction
漯河中裕燃氣有限公司 ("Luohe Zhongyu")	PRC	Sino-foreign joint venture	Registered capital RMB185,468,511	**77.3##**	77.3##	Trading of natural gas and gas pipeline construction
漯河中裕燃氣工程安裝有限公司	PRC	Sino-foreign joint venture	Registered capital RMB5,000,000	**73.4##**	73.4##	Gas pipeline construction
焦作中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB249,800,000	**93.2##**	93.2##	Trading of natural gas, coal gas and liquefied petroleum gas and gas pipeline construction
河南中裕燃氣建設工程有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	**93.2##**	93.2##	Gas pipeline construction
修武中裕燃氣發展有限公司	PRC	Limited liability company	Registered capital RMB40,000,000	**99.2##**	99.2##	Trading of natural gas and gas pipeline construction
臨沂中裕燃氣有限公司 ("Linyi Zhongyu")	PRC	Sino-foreign joint venture	Registered capital RMB50,000,000	**51#**	51#	Trading of natural gas and gas pipeline construction
中裕(河南)能源控股有限公司	PRC	Wholly-foreign owned enterprise	Registered capital HK$1,225,000,000	**100#**	100#	Investment holding
邵武中裕壓縮氣投資有限公司	PRC	Limited liability company	Registered capital RMB6,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
濟源中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Operation of CNG/LNG vehicle filling stations
三門峽中裕能源有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100##	100##	Operation of CNG/LNG vehicle filling stations
南京晶橋中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Trading of natural gas and gas pipeline construction
西平中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Research and development of natural gas technology
鄭州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100##	100##	Not yet commenced business
靈寶中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB35,000,000	100##	100##	Trading of natural gas and gas pipeline construction
德州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB25,000,000	100##	100##	Trading of natural gas, gas pipeline construction and operation of CNG/ LNG vehicle filling stations
溫縣中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Trading of natural gas and gas pipeline construction
深圳市鵬凱吉星貿易有限公司	PRC	Limited liability company	Registered capital RMB100,000	100##	100##	Not yet commenced business
沁陽中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
武夷山中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB16,300,000	99.8##	99.8##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
武陟中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB26,000,000	**100##**	100##	Trading of natural gas, gas pipeline construction and operation of CNG/ LNG vehicle filling stations
鐵力中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
焦作中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB15,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
修武縣寧城能源利用有限公司	PRC	Limited liability company	Registered capital RMB5,500,000	**100##**	100##	Trading of stoves and equipment
漯河中裕壓縮氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB10,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
邵武中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
河南怡誠大有燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	**80##**	80##	Trading of natural gas and gas pipeline construction
泗洪沃金燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
漯河中裕能源有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	**88.9##**	88.9##	Not yet commenced business
樂清中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	**85##**	85##	Trading of natural gas and gas pipeline construction
故城明華燃氣有限公司	PRC	Limited liability company	Registered capital RMB47,600,000	**100##**	100##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
臨江中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Not yet commenced business
河南中裕燃氣工程設計有限公司	PRC	Limited liability company	Registered capital RMB2,000,000	100##	100##	Design of gas pipeline construction project
中裕(河南)能源貿易有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100##	100##	Trading of natural gas
偃師中裕能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Trading of stoves and equipment
原陽縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB55,000,000	100##	100##	Trading of natural gas and gas pipeline construction
輝縣市中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Trading of natural gas and gas pipeline construction
灌南中裕燃氣有限公司	PRC	Limited liability company	Registered capital HK$188,758,363	100##	100##	Trading of natural gas and gas pipeline construction
中裕聯合(深圳)供應鏈有限公司	PRC	Limited liability company	Registered capital RMB100,000	100##	100##	Provision of management services to group companies
中裕(深圳)智慧能源有限公司	PRC	Limited liability company	Registered capital RMB90,000,000	100##	100##	Investment holding
中裕智慧科技(深圳)有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100##	100##	Provision of management services to group companies
恩耐特(沈丘)分布式能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	80##	80##	Not yet commenced business
刑台南宮裕聯天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100##	100##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
北京恩耐特分布能源技術有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	**70##**	70##	Design and consulting of energy projects
北京恩耐特分布式能源工程技術有限公司	PRC	Limited liability company	Registered capital RMB4,467,500	**70##**	70##	Design and consulting of energy projects
北京恩耐特藍天能源技術服務有限公司	PRC	Limited liability company	Registered capital RMB8,382,546	**70##**	70##	Design and consulting of energy projects
恩耐特(蘇州)新能源有限公司	PRC	Limited liability company	Registered capital RMB119,000	**70##**	70##	Design and consulting of energy projects
恩耐特(寧波)新能源有限公司	PRC	Limited liability company	Registered capital RMB44,631	**63##**	63##	Design and consulting of energy projects
漯河中裕政融智慧能源科技有限公司	PRC	Limited liability company	Registered capital RMB14,296,650	**58##**	58##	Design and consulting of energy projects
鄭州派誠新能源發展有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	**100##**	100##	Design and consulting of energy projects
山東中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB100,000	**100##**	100##	Not yet commenced business
焦作中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB8,100,000	**100##**	100##	Design and consulting of energy projects
臨沂恒安化學危險貨物運輸有限公司	PRC	Limited liability company	Registered capital RMB500,000	**51##**	51##	Dangerous goods transportation

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
溫縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB48,000,000	100##	100##	Trading of natural gas and gas pipeline construction
孟州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB56,000,000	100##	100##	Trading of natural gas and gas pipeline construction
玉田縣盛和燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100##	100##	Trading of natural gas and gas pipeline construction
新河縣綠源天然氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Trading of natural gas and gas pipeline construction
鄭州益之泉新能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	89.5##	89.5##	Investment holding
濮陽中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	93##	93##	Trading of natural gas and gas pipeline construction
濮陽中裕能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Trading of natural gas and gas pipeline construction
深圳和眾信息科技有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Digital and information technology development and provision of related consultancy services
靈寶中裕能源有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	70##	70##	Trading of natural gas and gas pipeline construction
宿遷中裕鴻城燃氣有限公司	PRC	Limited Liability company	Registered capital HK$66,670,000	70##	70##	Trading of natural gas and gas pipeline construction
連雲港裕城能源有限公司	PRC	Limited liability company	Registered capital US$30,000,000	65##	65##	Trading of natural gas, gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
蚌埠虹裕能源有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	65##	65##	Trading of natural gas, gas pipeline construction
永城市中裕能源發展有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Design and development for new energy technology
巴林右旗中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB3,300,000	100##	100##	Trading of natural gas
漯河中裕商貿有限公司	PRC	Limited liability company	Registered capital –	100##	100##	Sales of gas equipment and materials
鄭州中裕愛嘉物業服務有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	100##	–	Not yet commenced business
白山裕聯愛佳物業服務有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	100##	–	Property management
永城裕聯商貿有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	–	Not yet commenced business
舟山中裕能源貿易有限公司	PRC	Limited liability company	Registered capital USD20,000,000	100##	–	Trading of natural gas
張家口下花園區裕德能源有限責任公司	PRC	Limited liability company	Registered capital RMB1,000,000	100##	–	Not yet commenced business
白山政合商貿有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	95##	–	Not yet commenced business

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
濟源太行電力有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	60##	–	Not yet commenced business
山東中裕鄄慧新能源有限公司	PRC	Limited liability company	Registered capital USD20,000,000	100##	–	Not yet commenced business
濮陽中裕智慧能源有限公司	PRC	Limited liability company	Registered capital USD40,000,000	100##	–	Not yet commenced business
浙江岱山安通天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	–	Sales of gas
武陟縣中裕貿易有限公司	PRC	Limited liability company	Registered capital RMB2,000,000	100##	–	Sales of gas equipment and materials
北京中裕智慧能源有限公司	PRC	Limited liability company	Registered capital USD50,000,000	100##	–	Not yet commenced business
Harmony Gas Holdings Limited###	Cayman Islands	Limited liability company	78,287,805 ordinary shares of US$0.0001 each	100##	100##	Investment holding
Prosperity Gas Holdings Ltd.###	Cayman Islands	Limited liability company	201 ordinary shares of US$1 each	100##	100##	Investment holding
Prosperity Gas 2 Co., Ltd.	Hong Kong	Limited liability company	1 ordinary shares of HK$1 each	100##	100##	Investment holding
Sino Gas International Holdings, Inc###	United States of America	Incorporated	1,000 common stock without par value	100##	100##	Investment holding

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
Gas Investment China Co, Ltd.###	British Virgin Islands	Incorporated	21,500,001 ordinary shares of US$1 each	**100##**	100##	Investment holding
Tong Yuan International Holding Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK$1 each	**51##**	51##	Investment holding
Sino Gas Construction Limited###	British Virgin Islands	Incorporated	1,909,730 ordinary shares of US$1 each	**97.3##**	97.3##	Investment holding
北京中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB426,000,000	**100##**	100##	Trading of natural gas
泗洪中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB40,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
五河中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
泗縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
北京晨光燃氣有限公司	PRC	Limited liability company	Registered capital RMB35,239,600	**100##**	100##	Trading of natural gas and gas pipeline construction
昌黎中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
玉田縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100##	100##	Trading of natural gas and gas pipeline construction
蔚縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
張家口下花園中裕燃氣有限責任公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Trading of natural gas and gas pipeline construction
石家莊鹿泉區晨光燃氣有限公司	PRC	Limited liability company	Registered capital RMB6,000,000	100##	100##	Trading of natural gas and gas pipeline construction
成安中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
白山中裕城市燃氣有限公司	PRC	Limited liability company	Registered capital RMB80,000,000	100##	100##	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
白山中裕車用燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Operation of CNG/LNG vehicle filling stations
撫松中裕城鎮燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
河北中燃偉業燃氣集團有限公司	PRC	Limited liability company	Registered capital RMB14,621,063	100##	100##	Trading of natural gas
吳橋中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
寧晉縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
臨漳中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
衡水中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
隆堯中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
行唐中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB9,981,775	**100##**	100##	Trading of natural gas and gas pipeline construction
故城中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB45,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
南宮中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
鷄澤中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
新河縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
廊坊開發區偉業危險貨物運輸有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	**100##**	100##	Dangerous goods transportation
徐州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
邢臺中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2021 and 2020 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held by the Company 2021 %	2020 %	Principal activities
邢臺裕發天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	**100##**	100##	Transportation of piped natural gas
平山縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
徐州中裕能源有限公司 (formerly known as 銅山縣恒信嘉業燃氣有限公司)	PRC	Limited liability company	Registered capital RMB40,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
南宮市恒燃天然氣有限公司	PRC	Limited liability company	Registered capital RMB25,090,000	**100##**	100##	Trading of natural gas and gas pipeline construction
吳橋中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	**95##**	95##	Trading of natural gas and gas pipeline construction
白山中裕智慧能源有限公司	PRC	Limited Liability company	Registered capital RMB20,000,000	**100##**	100##	Not yet commenced business

\# *The nominal value of issued share capital/registered capital directly held by the Company.*

\## *The nominal value of issued share capital/registered capital indirectly held by the Company.*

\### *The place of operation of the company is Hong Kong.*

None of the subsidiaries had issued any debt securities at the end of the both years.

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit for the year attributable to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
Linyi Zhongyu	PRC – Shandong province	**49%**	49%	**26,586**	20,950	**323,242**	274,841
Luohe Zhongyu	PRC – Henan province	**22.71%**	22.71%	**12,683**	14,955	**139,551**	126,310
Individually immaterial subsidiaries with non-controlling interests, including Harmony Gas' subsidiaries				**34,377**	20,715	**395,208**	314,160
				73,646	56,620	**858,001**	715,311

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Linyi Zhongyu

	2021	2020
	HK$'000	HK$'000
Current assets	**208,801**	167,753
Non-current assets	**756,177**	686,013
Current liabilities	**(242,921)**	(245,707)
Non-current liabilities	**(62,380)**	(47,159)
Equity attributable to owners of the Company	**336,435**	286,059
Non-controlling interests	**323,242**	274,841

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(i) Linyi Zhongyu *(Continued)*

	2021	2020
	HK$'000	HK$'000
Revenue	**568,202**	454,465
Expenses	**(513,944)**	(411,710)
Profit for the year	**54,258**	42,755
Profit attributable to owners of the Company	**27,672**	21,805
Profit attributable to the non-controlling interests	**26,586**	20,950
Profit for the year	**54,258**	42,755
Other comprehensive income attributable to owners of the Company	**22,704**	20,526
Other comprehensive income attributable to the non-controlling interests	**21,815**	19,721
Other comprehensive income for the year	**44,519**	40,247
Total comprehensive income attributable to owners of the Company	**50,376**	42,331
Total comprehensive income attributable to the non-controlling interests	**48,401**	40,671
Total comprehensive income for the year	**98,777**	83,002
Net cash generated from (used in) operating activities	**102,312**	(5,458)
Net cash used in investing activities	**(36,976)**	(39,098)
Net cash generated from financing activities	**12,111**	23,951
Net cash inflow (outflow)	**77,447**	(20,605)

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) Luohe Zhongyu

	2021 HK$'000	2020 HK$'000
Current assets	379,058	382,738
Non-current assets	1,478,499	1,246,305
Current liabilities	(1,062,657)	(913,785)
Non-current liabilities	(165,423)	(204,852)
Equity attributable to owners of the Company	489,926	384,096
Non-controlling interests	139,551	126,310

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) Luohe Zhongyu *(Continued)*

	2021 HK$'000	2020 HK$'000
Revenue	612,242	542,897
Expenses	(556,393)	(477,044)
Profit for the year	55,849	65,853
Profit attributable to owners of the Company	43,166	50,898
Profit attributable to the non-controlling interests	12,683	14,955
Profit for the year	55,849	65,853
Other comprehensive income attributable to owners of the Company	48,861	36,787
Other comprehensive income attributable to the non-controlling interests	14,357	10,723
Other comprehensive income for the year	63,218	47,510
Total comprehensive income attributable to owners of the Company	92,027	87,685
Total comprehensive income attributable to the non-controlling interests	27,040	25,678
Total comprehensive income for the year	119,067	113,363
Dividends paid to non-controlling interests	–	14,122
Net cash generated from operating activities	189,504	369,603
Net cash used in investing activities	(161,191)	(159,686)
Net cash used in financing activities	(3,867)	(114,137)
Net cash inflow	24,446	95,780

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2021	2020
	HK$'000	HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**1,433,518**	1,410,512
Investments in life insurance contracts	**–**	81,982
Financial asset at FVTOCI	**2,720**	2,720
Amounts due from group companies	**8,083,639**	8,026,558
Long term other receivables	**613,964**	608,769
Right-of-use assets	**492**	514
	10,134,333	10,131,055
Current assets		
Other receivables	**7,221**	9,560
Bank balances and cash	**285,470**	66,683
	292,691	76,243
Current liabilities		
Other payables and accrued charges	**11,068**	12,544
Amounts due to group companies	**18,807**	18,834
Borrowings	**1,312,264**	4,789,703
Lease liabilities	**500**	523
	1,342,639	4,821,604
Net current liabilities	**(1,049,948)**	(4,745,361)
Total assets less current liabilities	**9,084,385**	5,385,694

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2021 HK$'000	2020 HK$'000
Capital and reserves		
Share capital (note 34)	**28,338**	26,448
Reserves (Note)	**2,658,262**	1,604,229
Total equity	**2,686,600**	1,630,677
Non-current liabilities		
Borrowings	**6,397,785**	3,755,017
	9,084,385	5,385,694

Note:

Reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2020	1,644,649	13,981	220,143	(883,274)	995,499
Profit for the year	–	–	–	577,290	577,290
Other comprehensive income for the year	–	–	216,579	–	216,579
Total comprehensive income for the year	–	–	216,579	577,290	793,869
Dividends paid in cash (note 13)	–	–	–	(185,139)	(185,139)
At 31st December, 2020	1,644,649	13,981	436,722	(491,123)	1,604,229
Profit for the year	–	–	–	123,754	123,754
Other comprehensive income for the year	–	–	116,096	–	116,096
Total comprehensive income for the year	–	–	116,096	123,754	239,850
Dividends paid in cash (note 13)	–	–	–	(270,174)	(270,174)
Placement of shares (note 34)	1,088,520	–	–	–	1,088,520
Transaction costs attributable to placement of shares	(9,621)	–	–	–	(9,621)
Exercise of share options (note 36)	6,248	(790)	–	–	5,458
Forfeit of Share options (note 36)	–	(5)	–	5	–
Lapse of Share options (note 36)	–	(159)	–	159	–
At 31st December, 2021	2,729,796	13,027	552,818	(637,379)	2,658,262

	For the year ended 31st December,				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note)	(note)	(note)	
Turnover	**11,344,500**	8,543,710	8,143,771	7,627,088	5,048,100
Profit for the year attributable to					
Owners of the Company	**1,188,997**	1,056,617	430,121	620,684	557,959
Non-controlling interests	**73,646**	56,620	53,528	93,671	33,637
	1,262,643	1,113,237	483,649	714,355	591,596

	As at 31st December,				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note)	(note)	(note)	
Assets and liabilities					
Total assets	**26,672,864**	23,634,423	20,289,099	16,281,354	11,800,731
Total liabilities	**(17,155,866)**	(16,903,073)	(14,853,026)	(11,761,185)	(8,077,514)
	9,516,998	6,731,350	5,436,073	4,520,169	3,723,217
Equity attributable to					
Owners of the Company	**8,658,997**	6,016,039	4,775,369	3,938,519	3,173,952
Non-controlling interests	**858,001**	715,311	660,704	581,650	549,265
	9,516,998	6,731,350	5,436,073	4,520,169	3,723,217

note: *For the year ended 31st December, 2018, the Group had applied HKFRS 15, HKFRS 9 and other amendments to HKFRSs and for the year ended 31st December, 2019, the Group had applied HKFRS 16 and other amendments to HKFRSs. Accordingly, certain comparative information for the years ended 31st December, 2017 may not be comparable to the years ended 31st December, 2018, 2019, 2020 and 2021 as such comparative information was prepared under HKAS 18, HKAS 11, HKAS 39 and HKAS 17. Accounting policies resulting from application of HKFRS 15, HKFRS 9 and HKFRS 16 are disclosed in the "Significant Accounting Policies" section.*

征程万里 笃行致远

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