China CBM Group Company Limited
中國煤層氣集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8270)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2020

CHARACTERISTICS OF THE GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

HIGHLIGHTS

- For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB179,329,000, representing an increase of 6.6% over that of the year ended 31 December 2019.

- For the year ended 31 December 2020, the Group's loss for the year amounted to approximately RMB36,224,000, whereas there was a loss of approximately RMB68,811,000 for the year ended 31 December 2019.

- For the year ended 31 December 2020, the Group's loss per share was RMB3.08 cents (2019: RMB4.81 cents).

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

ANNUAL RESULTS

The board of Directors (the "Board") of the Company announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 (the "Year") together with the comparative figures for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	3	**179,329**	168,229
Cost of sales		**(158,019)**	(121,462)
Gross profit		**21,310**	46,767
Other income and gains or losses	4	**22,680**	4,229
Selling and distribution costs		**(7,436)**	(7,262)
Administrative and other expenses		**(40,750)**	(58,530)
Impairment loss on property, plant and equipment		**(23,355)**	(40,637)
Impairment loss under expected credit loss model, net of reversal		**(752)**	(3,499)
Finance costs	5	**(8,127)**	(9,880)
Loss before taxation	6	**(36,430)**	(68,812)
Income tax credit	7	**206**	1
Loss for the year		**(36,224)**	(68,811)
Attributable to:			
Equity shareholders of the Company		**(40,627)**	(63,510)
Non-controlling interests		**4,403**	(5,301)
		(36,224)	(68,811)
		RMB	*RMB*
Loss per share	9		
– Basic and diluted		**3.08 cents**	4.81 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(36,224)**	(68,811)
Other comprehensive income (loss) for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**2,812**	(1,271)
Total comprehensive loss for the year	**(33,412)**	(70,082)
Total comprehensive loss attributable to:		
Equity shareholders of the Company	**(37,815)**	(64,781)
Non-controlling interests	**4,403**	(5,301)
	(33,412)	(70,082)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Non-current assets			
Property, plant and equipment	11	**371,573**	442,489
Right-of-use assets	12	**33,149**	33,324
Deposits and prepayments		**26,041**	26,056
		430,763	501,869
Current assets			
Inventories		**7,316**	7,674
Trade and other receivables	13	**36,689**	29,097
Tax recoverable		**2,000**	2,000
Bank balances and cash		**25,880**	18,265
		71,885	57,036
Current liabilities			
Trade and other payables	14	**260,815**	278,270
Bank and other borrowings	15	**54,200**	54,200
Lease liabilities	16	**6,652**	4,947
Convertible bonds	17	**–**	15,604
Provision	18	**21,583**	19,078
Contract liabilities		**20,180**	14,724
Tax payable		**2,979**	4,187
		366,409	391,010
Net current liabilities		**(294,524)**	(333,974)
Total assets less current liabilities		**136,239**	167,895

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other borrowings	15	**5,000**	–
Lease liabilities	16	**7,501**	8,722
Deferred tax liabilities		**4,944**	6,030
		17,445	14,752
Net assets		**118,794**	153,143
Capital and reserves			
Share capital	19	**10,910**	10,910
Reserves		**136,829**	174,644
Equity attributable to equity shareholders of the Company		**147,739**	185,554
Non-controlling interests		**(28,945)**	(32,411)
Total equity		**118,794**	153,143

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	General reserve *RMB'000*	Translation reserve *RMB'000*	Contributed surplus *RMB'000*	Share option reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019	10,910	131,082	8,273	(11,419)	584,838	30,849	8,652	(512,850)	250,335	(27,110)	223,225
Loss for the year	–	–	–	–	–	–	–	(63,510)	(63,510)	(5,301)	(68,811)
Other comprehensive loss for the year	–	–	–	(1,271)	–	–	–	–	(1,271)	–	(1,271)
Total comprehensive loss for the year	–	–	–	(1,271)	–	–	–	(63,510)	(64,781)	(5,301)	(70,082)
Balance at 31 December 2019	10,910	131,082	8,273	(12,690)	584,838	30,849	8,652	(576,360)	185,554	(32,411)	153,143
Balance at 1 January 2020	**10,910**	**131,082**	**8,273**	**(12,690)**	**584,838**	**30,849**	**8,652**	**(576,360)**	**185,554**	**(32,411)**	**153,143**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,627)**	**(40,627)**	**4,403**	**(36,224)**
Other comprehensive income for the year	**–**	**–**	**–**	**2,812**	**–**	**–**	**–**	**–**	**2,812**	**–**	**2,812**
Total comprehensive loss for the year	**–**	**–**	**–**	**2,812**	**–**	**–**	**–**	**(40,627)**	**(37,815)**	**4,403**	**(33,412)**
Capital reduction of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(937)**	**(937)**
Balance at 31 December 2020	**10,910**	**131,082**	**8,273**	**(9,878)**	**584,838**	**30,849**	**8,652**	**(616,987)**	**147,739**	**(28,945)**	**118,794**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

China CBM Group Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 15 July 2002 under the Companies Laws of the Cayman Islands and continued in Bermuda. The change of domicile of the Company from Cayman Islands to Bermuda was effective on 23 April 2014.

The directors consider the immediate parent and ultimate holding company of the Company to be Jumbo Lane Investments Limited, which is incorporated in the BVI and wholly owned by Mr. Wang Zhong Sheng, who is the ultimate controlling party of the Group and also the Chairman and Executive Director of the Company.

The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section in the annual report.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of exploitation, liquefaction production and sale of natural gas and coalbed gas in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company's major operating subsidiaries.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately RMB36,224,000 for the year ended 31 December 2020 and as at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB294,524,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors of the Company had adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following factors:

(1) Mr. Wang Zhong Sheng ("Mr. Wang"), the ultimate controlling party of the Group and the Chairman and executive director of the Company, has confirmed that he will provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due in the foreseeable future;

(2) The directors of the Company anticipate that the Group will continue to generate positive cash flows from its operations in the foreseeable future;

(3) After 31 December 2020, certain construction suppliers of the Group whom the Group owed an aggregate amount of approximately RMB52 million as at 31 December 2020 and included in payables for acquisition of property, plant and equipment as set out in note 14 under trade and other payables, have indicated not to demand for repayment for the amounts due to them before 31 December 2022;

(4) After 31 December 2020, the lender of an unsecured loan of approximately RMB24 million as at 31 December 2020 and included in amount due to a non-controlling shareholder of PRC subsidiary under bank and borrowings as at 31 December 2020, has indicated to extend repayment period up to 31 December 2022;

(5) In relation to the secured bank borrowings of approximately RMB30,000,000 which will be due in 2021, the directors are confident that the Group will be able to extend the bank borrowings in full upon their maturity, and the bank will not demand for early repayment, based on the past history of renewals and good relationship of the Group with the banks; and

(6) At 31 December 2020, the directors are confident that the Group will be able to renew credit facilities of approximately RMB50,000,000 from an entity, which is the subsidiary of a reputable state-owned enterprise in the PRC which is listed in the HKEx, based on the past history of renewals and good relationship with the entity.

Provided that these measures can be successfully implemented by the Group to improve the liquidity of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. According, the consolidated financial statements have been prepared on a going concern basis.

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

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 Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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 Impact on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impact on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2.3 Impact on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group.

2.4 Impact on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

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:

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
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 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company 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);

- 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 application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 (Note)

- 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 31 December 2020, 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 as at 31 December 2020.

Amendments to HKAS 16 ***Property, Plant and Equipment – Proceeds before Intended Use***

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 ***Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018–2020*

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE

(a) Disaggregation of revenue from contracts with customers

	2020 ***RMB'000***	2019 *RMB'000*
Type of goods or service		
Sales of liquefied coalbed gas	**22,304**	–
Sales of piped natural gas	**140,212**	144,028
Provision of liquefied coalbed gas logistics services	**4,375**	4,673
Provision of gas supply connection services	**12,438**	19,528
	179,329	168,229
Timing of revenue recognition		
At point in time	**166,891**	148,701
Over time	**12,438**	19,528
Total	**179,329**	168,229

(b) Performance obligations for contracts with customers

(i) Sales of liquefied coalbed gas and piped natural gas

Revenue from Sales of liquefied coalbed gas and piped natural gas is recognised when customers obtain control of the liquefied coalbed gas and piped natural gas, which is when the gas is delivered to customers' specific location. Invoices are usually payable within 30 days.

(ii) Provision of liquefied coalbed gas logistics services

The performance obligation is satisfied at a point in time when the liquefied coalbed gas are delivered to customers' specific location.

(iii) Provision of gas supply connection services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 5 working days from the date of billing. The Group is entitled to the final payment until the service quality is satisfied by the customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for its products and services such that information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less is not disclosed.

4. OTHER INCOME AND GAINS OR LOSSES

	2020	2019
	RMB'000	*RMB'000*
Other income		
Interest income from bank deposits	**31**	25
Foreign exchange gain	**–**	104
Rental income	**324**	332
Service income	**16,492**	8,461
Value-added tax refund	**6,394**	4,335
Sundry income	**1,357**	472
	24,598	13,729
Other gains or losses		
Gain/(loss) on disposal of property, plant and equipment	**110**	(472)
Written-off of property, plant and equipment	**(3,538)**	(9,050)
Reversal of prepayment previously impaired	**1,510**	–
Written-off of other payables	**–**	22
	22,680	4,229

5. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**3,364**	6,235
Effective interest on convertible bonds	**3,382**	2,914
Finance charges on lease liabilities	**1,381**	731
	8,127	9,880

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2020	2019
		RMB'000	*RMB'000*
(a)	**Staff costs (including directors'and chief executive's emoluments)**		
	Salaries and other benefits	**17,275**	18,033
	Retirement benefits schemes contributions	**752**	3,149
	Total staff costs	**18,027**	21,182

		2020	2019
		RMB'000	*RMB'000*
(b)	**Other items**		
	Cost of inventories recognised as expense	**108,412**	77,592
	Auditors' remuneration	**1,493**	1,473
	Depreciation of property, plant and equipment	**57,732**	66,906
	Depreciation of right-of-use assets	**875**	870
	Research and development costs	**396**	990

7. INCOME TAX CREDIT

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

	2020	2019
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
Provision for the year	**878**	1,999
Deferred tax		
Origination and reversal of temporary differences	**(1,084)**	(2,000)
Income tax credit	**(206)**	(1)

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company under the laws of Bermuda and, accordingly, is exempted from payment of the Bermuda Income Tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2020 (2019: 16.5%). No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2020 and 2019.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Pursuant to the EIT Law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC.

Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. A withholding tax rate of 5% is applicable to entities held by a qualified Hong Kong incorporated subsidiary.

8. DIVIDENDS

No dividend has been proposed or declared by the directors for the year ended 31 December 2020 (2019: Nil).

9. LOSS PER SHARE

The basic and diluted loss per share is RMB3.08 cents per share (2019: RMB4.81 cents per share). The calculation of the basic loss per share for the year ended 31 December 2020 is based on the loss attributable to equity shareholders of the Company of approximately RMB40,627,000 (2019: RMB63,510,000) and the weighted average number of shares of approximately 1,319,484,000 (2019: 1,319,484,000) in issue during the year ended 31 December 2020.

The calculation for diluted loss per share for the year ended 31 December 2020 is based on the loss attributable to equity shareholders of the Company of approximately RMB40,627,000 (2019: RMB63,510,000) and the denominator used are the same as for the basic loss per share. Diluted loss per share attributable to equity shareholders of the Company for the years ended 31 December 2020 and 2019 is the same as the basic loss per share as the effect of potential ordinary shares from the exercise and conversion of share options and convertible bonds are anti-dilutive.

10. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the Company's board of directors, for the purpose of resources allocation and performance assessment. The CODM reviews the Group's internal reporting, assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered by the CODM to be primarily dependent on the performance of exploitation, liquefaction production and sale of natural gas in the PRC. Therefore, the Group has only one operating segment under the requirements of HKFRS 8 Operating Segments. In this regard, no segment information is presented.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment result is equivalent to the loss for the year as shown in the consolidated statement of profit or loss and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

(a) Geographical information

For the two years ended 31 December 2020 and 2019, all of the Group's revenue were derived from customers in the PRC (country of domicile) and all non-current assets of the Group were located in the PRC, Accordingly, no further analysis of the Group's geographical information is disclosed.

(b) Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**25,741**	25,849

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *RMB'000*	Leasehold improvements *RMB'000*	Pipelines *RMB'000*	Plant and machinery *RMB'000*	Computer equipment *RMB'000*	Furniture and equipment *RMB'000*	Transportation and motor vehicles *RMB'000*	Construction in progress *(Note iv)* *RMB'000*	Total *RMB'000*
Cost									
At 1 January 2019	158,139	1,638	183,179	585.610	314	3,067	28,966	174,226	1,135,139
Additions	–	215	–	146	–	89	1,326	7,420	9,196
Transfers	–	–	6,612	–	–	–	–	(6,612)	–
Disposals	–	–	(1,499)	(4,725)	–	–	(3,367)	–	(9,591)
Written off	(5)	–	(50)	(10,114)	–	(119)	–	(2,232)	(12,520)
Exchange adjustments	–	13	–	–	1	2	32	–	48
At 31 December 2019 and 1 January 2020	158,134	1,866	188,242	570,917	315	3,039	26,957	172,802	1,122,272
Additions	5	–	–	123	–	152	271	13,824	14,375
Disposals	–	–	–	–	–	–	(13,455)	–	(13,455)
Written off	–	–	–	(9,404)	–	–	(38)	–	(9,442)
Exchange adjustments	–	(45)	–	–	(2)	(7)	(108)	–	(162)
At 31 December 2020	158,139	1,821	188,242	561,636	313	3,184	13,627	186,626	1,113,588
Accumulated depreciation and impairment									
At 1 January 2019	107,880	1,586	59,326	336,452	304	2,742	24,636	50,265	583,191
Charge for the year	4,166	82	10,760	49,615	4	116	2,163	–	66,906
Impairment	–	–	6,471	31,393	–	–	–	2,773	40,637
Written back on disposals	–	–	(350)	(3,974)	–	–	(3,203)	–	(7,527)
Written off	(1)	–	(37)	(3,325)	–	(107)	–	–	(3,470)
Exchange adjustments	–	13	–	–	1	2	30	–	46
At 31 December 2019 and 1 January 2020	112,045	1,681	76,170	410,161	309	2,753	23,626	53,038	679,783
Charge for the year	4,205	72	10,442	41,803	3	133	1,074	–	57,732
Impairment	–	–	–	–	–	–	–	23,355	23,355
Written back on disposals	–	–	–	–	–	–	(12,789)	–	(12,789)
Written off	–	–	–	(5,866)	–	–	(38)	–	(5,904)
Exchange adjustments	–	(45)	–	–	(2)	(7)	(108)	–	(162)
At 31 December 2020	116,250	1,708	86,612	446,098	310	2,879	11,765	76,393	742,015
Carrying amount									
At 31 December 2020	**41,889**	**113**	**101,630**	**115,538**	**3**	**305**	**1,862**	**110,233**	**371,573**
At 31 December 2019	46,089	185	112,072	160,756	6	286	3,331	119,764	442,489

Notes:

(i) The buildings held for own use are situated on land held under medium-term leases in the PRC.

(ii) The pipelines of the Group are located in the PRC.

(iii) At 31 December 2020, the Group's pipelines and plant and machinery with carrying amounts of approximately RMB75,506,000 (2019: RMB81,355,000) and RMB8,000 (2019: RMB6,842,000) respectively were pledged as security for lease liabilities of the Group.

(iv) Included coalbed methane development costs capitalised with carrying amount of approximately RMB82,573,000 as at 31 December 2020 (2019: RMB96,005,000).

Impairment test on property, plant and equipment and right-of-use assets

Based on the management's investigation on construction in progress, certain construction in progress has been ceased for construction for a long period of time and its future economic benefits for the Group are uncertain, and hence an impairment loss of approximately RMB23,355,000 was recognised for certain construction in progress in Yangcheng Huiyang CGU for the year ended 31 December 2020.

During the year ended 31 December 2020, certain property, plant and equipment in Yangcheng Huiyang CGU amounted to approximately RMB3,538,000 (2019: RMB9,050,000) were written off due to wear and tear.

In view of the continuing operating losses of certain subsidiaries operating in the PRC during the year ended 31 December 2020, the directors of the Company have further performed impairment assessment on property, plant and equipment and right-of-use assets in these subsidiaries based on cash-generating units as at 31 December 2020. For the purpose of impairment testing, the subsidiaries in the PRC are grouped under three CGUs – (i) Guangxi Beiliu, (ii) Shanxi Qinshui and (iii) Yangcheng Huiyang, which the principal activities are sales of piped natural gas and provision of gas supply connection services, manufacture and sales of liquefied coalbed gas and exploration, development and production of coalbed methane respectively. The recoverable amounts of these CGUs have been determined by an independent professional valuer, Asset Appraisal Limited ("Asset Appraisal") based on value-in-use calculations.

CGU	**Guangxi Beiliu**		**Shanxi Qinshui**		**Yangcheng Huiyang**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Property, plant and equipment	**54,101**	45,991	**26,876**	70,501	**272,442**	344,807	**353,419**	461,299
Right-of-use assets/prepaid land lease payments	**6,703**	6,908	**12,021**	12,329	**698**	–	**19,422**	19,237
Carrying amount before impairment loss for the respective years	**60,804**	52,899	**38,897**	82,830	**273,140**	344,807	**372,841**	480,536
Impairment on property, plant and equipment	**–**	–	**–**	(31,830)	**–**	(8,807)	**–**	(40,637)
Net carrying amount	**60,804**	52,899	**38,897**	51,000	**273,140**	336,000	**372,841**	439,899
Recoverable amount	**62,700**	53,500	**42,000**	51,000	**276,000**	336,000		

Key assumptions used for value-in-use calculations:

CGU	Guangxi Beiliu		Shanxi Qinshui		Yangcheng Huiyang	
	2020	2019	**2020**	2019	**2020**	2019
Projection period	**5 years**	5 years	**5 years**	5 years	***10 years**	11 years
Growth rate after projection period	**3%**	2%	**0%**	0%	**0%**	0%
Pre-tax discount rate	**27.8%**	28.2%	**28.7%**	32.4%	**24.5%**	26.5%

* Based on the operating lease term

Their recoverable amounts are based on certain similar key assumptions. The management of the Group prepared cash flow forecasts for the CGUs derived from the most recent available financial budgets approved by management.

The key assumptions also include the budgeted sales and gross margins based on past performance and the management's expectation of market development.

There has been no change from the valuation technique used in prior year. As a result of the impairment assessment of the CGUs, management of the Group determines that there is no further impairment on the above 3 CGUs for the year ended 31 December 2020. Management believes that any reasonably possible change in any of the above assumptions would not cause the carrying amounts of the above CGUs to exceed the recoverable amounts of the respective CGUs.

For the year ended 31 December 2019, a further impairment loss of approximately RMB40,637,000 in aggregate had been recognised in respect of property, plant and equipment, which arose in light of significant adverse changes in the year in the economic environment in which the Group operates, which led the directors to expect lower profitability for the Shanxi Qinshui and Yangcheng Huiyang CGUs in the coming years.

12. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*
Cost	
At 1 January 2019 and 31 December 2019	34,194
Addition	700
At 31 December 2020	34,894
Accumulated depreciation	
At 1 January 2019	–
Depreciation charge	870
At 31 December 2019	870
Depreciation charge	875
At 31 December 2020	1,745
Carrying values	
At 31 December 2020	33,149
At 31 December 2019	33,324

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of approximately RMB698,000 (2019: RMB Nil) in which the Group is in the process of obtaining.

The above items of right-of-use assets are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold lands	50 years

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

	2020	2019
	RMB'000	*RMB'000*
Ownership interests on leasehold land held for own use in the PRC, with remaining lease term of between 10 and 50 years	**33,149**	33,324

	2020	2019
	RMB'000	*RMB'000*
Expense relating to short-term leases	**825**	830
Total cash outflow for leases	**825**	830

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables – contract with customers	**6,103**	4,669
Less: Allowance for credit losses	**(4,590)**	(3,813)
	1,513	856
Bills receivables	**500**	–
Other receivables and deposits	**12,081**	13,236
Amount due from a related company	**6,000**	6,000
Advances to suppliers	**1,611**	3,637
Other prepayments	**7,764**	3,496
Value-added tax recoverable	**7,220**	1,872
	33,689	29,097

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**1,320**	692
More than 1 month but less than 3 months	**–**	–
More than 3 months but less than 6 months	**40**	–
More than 6 months but less than 12 months	**66**	–
More than 12 months	**87**	164
	1,513	856

The Group generally allows credit period of 30 to 180 days to its customers. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' requests.

The ageing analysis of trade receivables that were past due but not impaired are as follows:

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,320**	661
Less than 1 month past due	**40**	–
1 to 3 months past due	**66**	–
Over 3 months past due	**87**	195
	193	195
	1,513	856

14. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**89,822**	98,950
Amount due to an ultimate controlling party	**18,481**	1,800
Amounts due to directors	**581**	483
Amounts due to former directors	**–**	1,267
Amounts due to non-controlling shareholders of subsidiaries	**3,437**	5,720
Accrued expenses and other payables *(note (i))*	**29,997**	46,246
Payables for acquisition of property, plant and equipment	**114,306**	120,217
Loan interest payables	**3,033**	1,307
Value-added and other taxes payables	**1,158**	2,280
	260,815	278,270

Notes:

(i) Accrued expenses and other payables included the estimated costs of dismantling and removing the items of property, plant and equipment and restoring the site on which they are located, amounting to approximately RMB3,302,000 as at 31 December 2020 (2019: RMB3,302,000).

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**20,830**	1,519
More than 1 month but less than 3 months	**8**	10,424
More than 3 months but less than 6 months	**687**	–
More than 6 months but less than 12 months	**659**	–
More than 12 months	**67,638**	87,007
	89,822	98,950

15. BANK AND OTHER BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured bank loans	**35,000**	30,000
Unsecured other loan	**24,200**	24,200
	59,200	54,200
Analysed as:		
Amount due within 1 year shown under current liabilities	**54,200**	54,200
Amount due after 1 year shown under non-current liabilities	**5,000**	–
	59,200	54,200

Notes:

(a) Secured bank loans carry various interest rates which ranged from 4.5% to 4.7% per annum (2019: 4.74% to 5.22% per annum).

(b) Unsecured other loan represents loans due to non-controlling shareholder of PRC subsidiary of the Group and bears interest at fixed rate of 7.12% (2019: 7.12%) per annum. Interest expenses on unsecured other loan to non-controlling shareholder of the subsidiary amounted to approximately RMB1,726,000 (2019: RMB1,719,000) payable to Chengrong Investment was charged to profit or loss within "finance costs" during the year ended 31 December 2020.

16. LEASE LIABILITIES

Lease liabilities payable:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**6,652**	4,947
After 1 year but within 2 years	**5,998**	4,791
After 2 years but within 5 years	**1,503**	3,931
	7,501	8,722
	14,153	13,669
Less: Amount due for settlement within 12 months shown under current liabilities	**(6,652)**	(4,947)
Amount due for settlement after 12 months shown under non-current liabilities	**7,501**	8,722

The Group leases certain equipment for its operations under lease agreements. These leases have remaining lease term of 3 years (2019: 3 years).

The weighted average incremental borrowing rates applied to lease liabilities is 10.28% (2019: 10.28%).

17. CONVERTIBLE BONDS

During the year ended 31 December 2015, the Company issued HK$ denominated zero-coupon convertible bonds with principal amount of HK$21,238,440 as part of the consideration for acquisition of the Nuoxin Engineering Group. The convertible bonds have a maturity period of 5 years from the issue date and are convertible at the option of the bondholder into 94,142,021 ordinary shares of HK$0.01 each in the capital of the Company at a conversion price of HK$0.2256 per share.

The convertible bonds contained two components: liability and equity elements. The equity element on initial recognition amounted to RMB10,544,000 was presented in equity as part of the "convertible bonds reserve". The effective interest rate of the liability component of the convertible bonds on initial recognition was 23.4% per annum.

No convertible bonds were converted during the years ended 31 December 2020 and 2019.

The movement of the liability component of the convertible bonds for the year is set out below:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**15,604**	12,416
Effective interest expense charged	**3,382**	2,914
Exchange difference	**(1,167)**	274
Maturity of convertible bonds	**(17,819)**	–
At 31 December	**–**	15,604

18. PROVISION

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**19,078**	16,646
Provision for the year	**3,376**	2,844
Amount utilised for the year	**(871)**	(412)
At 31 December	**21,583**	19,078

The provision for production safety has been determined by the directors to meet the production safety standards, based on certain percentage of the Group's revenue in accordance with PRC rules and regulations.

19. CAPITAL AND RESERVES

Authorised and issued share capital

	2020		2019	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Authorised ordinary shares of HK$0.01 each:				
At 1 January and 31 December	**20,000,000**	**174,064**	20,000,000	174,064
Issued and fully paid – Ordinary shares of HK$0.01 each:				
At 1 January and 31 December	**1,319,484**	**10,910**	1,319,484	10,910

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2020. The report includes paragraphs of an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB36,224,000 for this year ended 31 December 2020, and as at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB294,524,000. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a consolidated turnover of approximately RMB179,329,000 for the year ended 31 December 2020, representing a slightly increase of approximately 6.6% compared with year ended 31 December 2019. Our LNG plant was resumed production in October 2020, and it contributed approximately RMB22,304,000 of sales of liquefied coalbed gas to the turnover for the year. The sales of piped natural gas and provision of gas supply connection services were decreased 2.65% and 36.31% to RMB140,212,000 and RMB12,438,000 respectively. It mainly due to the outbreak of Covid 19 in 2020, and it leads to the slow down of the manufacturing activities in 2020.

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2020 of approximately RMB40,627,000 compared with that of approximately RMB63,510,000 for the year ended 31 December 2019. The reasons for the losses are as follows:

1. The gross profit decreased from RMB46,767,000 to RMB21,310,000 because (a) our LNG plant resumed operation in October 2020, however, the average daily production only around 200,000 m^3 and it leads to the increase in the unit cost of liquefied coalbed gas. As a result, the gross loss attributed from sales of liquefied coalbed gas business in the year. (b) the operation of the LNG terminal in Beihai city in Guangxi Province was terminated as a result of accident occurred in November 2020. The tight supply of LNG in November and December 2020 it leaded a significant increase in the purchase price of LNG in our piped natural gas business in Guangxi Province. However, we didn't pass the cost increment to customer. Therefore, the gross profit margin of sales of piped natural gas was pulled down for the year.

2. During the year ended 31 December 2020, due to cessation for construction work for construction in progress, an impairment loss of approximately RMB23,355,000 was recognised in respect of certain property, plant and equipment.

3. The service income were increased from RMB8,461,000 to RMB16,492,000 for the year.

BUSINESS REVIEW AND DEVELOPMENT PROSPECTS

Resources and reserves

Yangcheng Huiyang New Energy Development Company Limited (hereinafter referred to as "Huiyang New Energy") has interest in certain CBM properties located at Shanxi Province, the PRC. The Yangcheng area is approximately 96 km^2 in the Shanxi Province, the PRC. Development within the Yangcheng gas block is focused on the #3 and #15 coal seams. These CBM properties are located at various coal mine areas owned by Shanxi Yangcheng Yangtai Group Industrial Company Limited. Huiyang New Energy is a joint venture company and 60% of its equity interests is held by one of the wholly-owned subsidiaries of the Group.

The movements in the reserves of certain CBM properties as of 31 December 2020 are set out below:

	Reserve evaluation of the CBM properties as at 31 December 2020 BCF	Reserve evaluation of the CBM properties as at 31 March 2012 BCF
Total original gas in place on all blocks	1,936	2,724
Net 1P (Proved) reserves	1,089	35
Net 2P (Proved + Probable) reserves	1,547	277
Net 3P (Proved + Probable + Possible) reserves	1,936	2,050

The change in the 1P, 2P and 3P is based on the professional advice by the Engineer of our Group.

The reserve evaluation of the CBM properties as at 31 March 2012 is the results of evaluation conducted by an independent, US-licensed natural gas reserve engineer, Netherlands, Sewell & Associates, Inc. ("NSAI") engaged by the Company in 2011 to evaluate the CBM properties reserves.

Due to continued development of the gas field blocks by the Company, the number and scope of the gas production wells are relatively increased as compared with that of 2012, enabling the Company to collect more data about the CBM properties to evaluate the CBM properties more accurately. Accordingly, the Company engaged an independent professional valuer in the PRC in July 2014 to evaluate certain CBM properties of "Huiyang New Energy" in terms of net 3P (Proved + Probable + Possible) reserves, net 2P (Proved + Probable) reserves and net 1P (Proved) reserves based on substantially the same definitions and guidelines as that of NSAI in 2012. According to the results of the evaluation, the total original gas in place on all blocks was generally unchanged as compared with that of NSAI in 2012. Based on the current costs for developing wells, the technical department of the Group estimates the capital expenditure for each well to be approximately RMB1.4 million, mainly comprising of road maintenance fees of approximately RMB0.09 million, drilling expenses of approximately RMB0.86 million, well testing fees of approximately RMB0.04 million and costs of equipment and materials of approximately RMB0.41 million.

Gas volumes are expressed in billion of cubic feet (BCF) at standard temperature and pressure bases. The reserves shown in the above table are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance.

Natural Gas Exploration and Extraction

As at 31 December 2020, the Group has completed the ground work and drilling of 229 CBM wells, among which 193 wells were in production, representing decrease in 6 wells compared with the number of wells at the end of 2019. The operating wells with stable production since they had been put in operation.

Liquefaction operation

The Group resumed its LNG business in October 2020. However, due to the emergency measures announced by the government of Shanxi Province in December 2020 to impose limitation on natural gas supply for LNG plants, the Group suspended its LNG business from December 2020 to January 2021. Owing to the resumption of business, the daily output in 2020 amounted to approximately 200,000 cubic meters. Operation and sales were resumed once again in the beginning of 2021.

Marketing and Sales

During 2020, the marketing and sales systems did not change significantly and the personnel structure and sales strategies basically remained the same. Affected by overall environment, the sales price during traditional peak periods did not represent a substantial increase as the previous year, by contrast, the sales price took on a descending trend, which, to some extent, has affected the sales performance.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, the Group had net assets of approximately RMB118,794,000, including cash and bank balances of approximately RMB25,880,000. To minimize financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 49.65% as at 31 December 2020 (2019: 44.99%).

The Group is opportunistic in obtaining financing to further improve the cash position given that the natural gas drilling program is capital intensive. If the Group has adequate financing in the future (whether it is from internal cash flow due to increased gas sales, or from fund raising), the Group will accelerate the drilling program. Apart from the intended investment in upstream CBM exploration and extraction, the Group does not have any other plan for acquisition or investment, disposal or scale-down of any current business.

The Employees

As at 31 December, 2020, the employees of the Group totaled 330, among which 23 were R&D staff and 185 were project and customer service staff; 106 were administration staff and 16 were marketing and sales staff. During the year, the total cost of staff (including the remuneration of the Board Directors) recognised in profit or loss account was approximately RMB18,027,000 (2019: approximately RMB21,182,000). The remuneration and salary packages and dividend policy of the Group were determined based on the individual performance of staff. The Group will continue to offer professional further studies and training to staff.

Impairment of Property, Plant and Equipment and Right-of-use Assets

During the year ended 31 December 2020, due to cessation of construction for construction in progress, an impairment loss of approximately RMB23,355,000 was recognised in respect of certain property, plant and equipment included in Yangcheng Huiyang CGU.

Risk in Foreign Exchange

The group entities collect most of the revenue and incur most of expenditures in their respective functional currencies. The Directors consider that the Group's exposure to foreign currency exchange is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the year ended 31 December 2020, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

OUTLOOK

The upstream business of the Company is improving steadily and the well construction and gas output are both increasing constantly. During 2017, the Company made technological upgrade to some old wells to improve production capacity and output, laying a solid foundation for the Company's long-term performance. However, the shortage in supply of raw gas kept handicapping the Company. Daily gas output of the upstream business was insufficient to allow the 500,000 cubic meters daily production capacity of liquefaction plants to be fully unleased. In view of this, the Group commenced the R&D on C-H to Synthesis of natural gas production in 2017 and which is temporarily named as High-temperature-water Activate C-H to Synthesis of Natural-gas Technology. As at the date of this announcement, the experiment on C-H to Synthesis of natural gas production was successfully completed. The Group has commenced the process of commercialized design in the second half of 2019 and small-scale production is expected to start at the end of 2021. In addition, the Group plans to realize the daily output to 500,000 cubic meters at the end of 2022. The Group's LNG plant will get the stable gas supply, as the number of upstream wells and gas output are both steadily increasing, the group successfully developed C-H to Synthesis of natural gas production and LNG price stabilized. The Group's raw gas supply will be further consolidated and the advantage of vertical integration business will emerge. The production capacity of liquefaction plants will be fully unleashed. In 2020, thanks to the stable supply from self-produced well gas, the Company will be gradually less affected by external factors and the uncontrollable risks involved in the operation of the Company will become less.

As there are growing concerns over the environmental issues, it is foreseen that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will be more popular, resulting in a keener market demand for natural gas. The demand growth of natural gas market will continue to retain its strong momentum. Management of the Company will spare no effort in overcoming difficulties and be devoted to making contribution to the Company's profit margin and long-term development.

MAJOR TRANSACTION AND EVENTS

On 31 December 2020, the Company and Mr. Wang Zhong Sheng as the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, an aggregate of 758,515,714 Subscription Shares at the Subscription Price of approximately HK$0.028 per Subscription Share for a total consideration of HK$21,238,440. The consideration for the Subscription Shares will be set off on a dollar to dollar basis against the Loan.

The Subscription Shares represent (i) approximately 57.49% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 36.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). The Subscription Shares shall be allotted and issued pursuant to the Specific Mandate.

Subscription Completion is conditional upon, among others, the fulfilment of the terms and conditions as set forth in the Subscription Agreement.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As at the date of this announcement, the Subscriber and the parties acting in concert with him holds an aggregate of 394,239,983 Shares, representing approximately 29.88% of the issued share capital of the Company, among which as to 18,118,500 Shares, representing approximately 1.37% of the issued share capital of the Company, are held by Jumbo Lane Investments Limited, a company which is wholly owned by the Subscriber and as to 376,121,483 Shares, representing approximately 28.51% of the issued share capital of the Company, are held by the Subscriber.

Upon Subscription Completion, the Subscriber and parties acting in concert with him will hold an aggregate of 1,152,755,697 Shares, representing approximately 55.47% of the voting rights of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). As a result, the Subscriber and parties acting in concert with him will be obliged to make a mandatory general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with him) pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

The Subscriber will apply to the Executive for the granting of the Whitewash Waiver in respect of the allotment and issue of the Subscription Shares and which, if granted, will be subject to the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders by way of a poll in respect of the Whitewash Waiver and the Subscription (including the Specific Mandate), respectively, at the SGM. The aforesaid condition is not capable of being waived. If the Whitewash Waiver is not granted, the Subscription will not proceed.

As the Subscriber is a substantial Shareholder of the Company and also an executive Director of the Company, the Subscriber is a connected person of the Company as defined under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement, reporting and approval by the Independent Shareholders' approval requirements.

As at the date of this announcement, the Subscriber and his associates hold an aggregate of 394,239,983 Shares, representing approximately 29.88% of the issued share capital of the Company. The Subscriber and his associates will abstain from voting on the resolution approving the Subscription at the SGM.

For details, please refer to the announcements of the Company dated 31 December 2020, 11 January 2021, 21 January 2021 and 11 February 2021.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares, underlying shares and debentures of the Company

Name	Capacity	Nature of interest	Number of shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	18,118,500 *(Note 1)*	1.38%
	Beneficial owner	Personal	376,446,233 *(Note 2)*	28.53%

Notes:

1. Such shares are owned by Jumbo Lane Investments Limited.

   Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited and he is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

2. Out of the 376,446,233 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 324,750 shares under the new share option scheme adopted by the Company on 18 May 2011 and (ii) a beneficial owner of 376,121,483 issued shares of the Company. On 31 December 2020, the share subscription agreement was signed between the Company and Mr. Wang Zhong Sheng with an aggregate of 758,515,714 subscription shares. The share subscription agreement is subject to the requirements of announcement and the approval of the shareholders by way of poll at the extraordinary general meeting of the Company. For details, please refer to the announcement of the Company dated 31 December 2020, 11 January 2021, 21 January 2021 and 11 February 2021.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. The Group had not issued any debentures during the Year.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES UNDER THE SFO

As at 31 December 2020, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares of the Company

Name	Number of shares	Nature of Interest	Percentage of shareholding
Ms. Zhao Xin *(Note)*	394,564,733	Interest of spouse	29.91%

Note:

Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company pursuant to the SFO.

Save as disclosed above, as at 31 December 2020, no other person (other than the Directors or chief executive of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under to section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above and in the section "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children or chief executive or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 18 May 2011, the Company's share option scheme adopted on 28 July 2003 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted which will remain in force for a period of 10 years from adoption of the New Share Option Scheme and will expire on 17 May 2021. On 30 May 2011, the Board approved to grant options in respect of 258,300,000 ordinary shares to the Company's Directors, employees and consultants under the New Share Option Scheme.

There were no share options that had been granted remained outstanding under the Old Share Option Scheme prior to its termination.

For details of the New Share Option Scheme, please refer to the circular of the Company dated 20 April 2011.

Information in relation to share options disclosed in accordance with the GEM Listing Rules was as follows:

Name and category of participants	As at 1 January 2020	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2020	Date of grant of share options	Exercise period of share options	Exercise price of per share as at the date of grant of share options	Adjusted exercise price per share option
Executive Director									
Mr. Wang Zhong Sheng	324,750	–	–	–	324,750	30/5/2011	30/5/2011–29/5/2021	0.495	3.81
	324,750	–	–	–	324,750				
Employees	5,811,726	–	–	–	5,811,726	30/5/2011	30/5/2011–29/5/2021	0.495	3.81
Consultants	25,982,598	–	–	–	25,982,598	30/5/2011	30/5/2011–29/5/2021	0.495	3.81
	32,119,074	–	–	–	32,119,074				

Notes:

(i) The terms and conditions of the grants that existed during the year are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted:			
30 May 2011	215,220,000	Vest immediately	10 years
30 May 2011	43,080,000	Half on each of the first and second anniversaries of grant date	10 years

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HK$*	Number of options
Outstanding as at 1 January 2020	3.81	32,119,074
Granted during the year	–	–
Outstanding as at 31 December 2020	3.81	32,119,074
Exercisable as at 31 December 2020	3.81	32,119,074

The options outstanding as at 31 December 2020 had an exercise price of HK$3.81 and a weighted average remaining contractual life of 0.4 years.

As at the date of this announcement, the total number of shares available for issue under the New Share Option Scheme was 32,119,074 ordinary shares, representing approximately 2.43% of the issued shares of the Company.

The subscription price per share under the New Share Option Scheme is solely determined by the Board, and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer to grant option; and (iii) the nominal value of a share on the date of offer to grant option, provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

As at the date of this announcement, the Company had outstanding options to subscribe for 32,119,074 shares under the share option scheme adopted on 18 May 2011.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company nor any of its subsidiaries.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business as of the Group.

AUDIT COMMITTEE AND AUDITORS

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 28 July 2003. The primary duties of the audit committee are, among others, to review and oversee the financial reporting principles and practices adopted as well as internal control procedures and issues of the Group. It also reviews quarterly, interim and the final results of the Group prior to recommending the same to the Board for consideration.

The audit committee comprises the three independent non-executive Directors, namely Mr. Lau Chun Pong (Chairman), Mr. Xu Yuan Jian and Mr. Wang Zhi He.

During the year ended 31 December 2020, the audit committee has held five meetings. The Group's result for the year ended 31 December 2020 have been reviewed and commented by the audit committee members, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditors, KTC Partners CPA Limited ("KTC") to the amounts set out in the Group's consolidated financial statements for the year, The work performed by KTC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC on the preliminary announcement.

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020.

CORPORATE GOVERNANCE

During the year ended 31 December 2020 and up to the date of this announcement, save as disclosed, the Group has complied with all the applicable provisions in the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules (the "Code").

Under the code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Prior to the retirement of Mr. Feng San Li on 26 November 2012, Mr. Feng San Li was holding the title of CEO. Mr. Wang Zhong Sheng is the chairman of the Board. After Mr. Feng's retirement, Mr. Wang Zhong Sheng continues to act as the chairman and the duties of the chief executive have been undertaken by the other executive Director. The Board meets regularly to consider major matters affecting the business and operations of the Group. The Board considers that this structure will balance the power and authority between the Board and management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. Currently, the independent non-executive Directors have no fixed term of office but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's bye-laws.

Reference is made to the announcement of the Company dated 4 November 2019 and the circular dated 30 September 2020 in relation to, inter alia, the finance lease arrangement. The relevant finance lease agreement was entered in 2019 and was subsequently approved and ratified by the Shareholders at the special general meeting held on 20 October 2020. Please refer to the announcement and circular for further details.

AMENDMENT TO THE TERMS OF REFERENCE OF NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company was amended on 14 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities dealings by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings during the year ended 31 December 2020.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its independent non-executive Directors are independent.

For the purpose of this announcement and solely for the propose of illustration, all amount in RMB are translated into HK$ at the exchange rate of RMB0.83284: HK$1.

By order of the Board
China CBM Group Company Limited
Wang Zhong Sheng
Chairman

China, 24 March 2021

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng and Mr. Chang Jian, the non-executive Directors are Mr. Duan Shi Chuan, Mr. Wang Chen and Mr. Liang Feng, and the independent non-executive Directors are Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian.