Zhonghua Gas Holdings Limited
中華燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

08246.HK

2018 Annual Report

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Corporate Information

Board of Directors

Executive Directors

Mr. Hu Yishi *(Executive Chairman)*
Mr. Chan Wing Yuen, Hubert *(Chief Executive Officer)*
Ms. Lin Min, Mindy
Ms. Kwong Wai Man, Karina *(Chief Financial Officer)*

Independent non-executive Directors

Mr. Lui Tin Nang
Ms. Ma Lee
Mr. Lau Kwok Kee

Company Secretary

Ms. Chan Wai Yee

Compliance Officer

Mr. Chan Wing Yuen, Hubert

Board Committees

Audit Committee

Mr. Lui Tin Nang *(Chairman)*
Ms. Ma Lee
Mr. Lau Kwok Kee

Remuneration Committee

Mr. Lui Tin Nang *(Chairman)*
Ms. Lin Min, Mindy
Ms. Ma Lee
Mr. Lau Kwok Kee

Nomination Committee

Mr. Lui Tin Nang *(Chairman)*
Ms. Lin Min, Mindy
Ms. Ma Lee
Mr. Lau Kwok Kee

Authorised Representatives

Mr. Chan Wing Yuen, Hubert
Ms. Kwong Wai Man, Karina

Registered Office

Cricket Square,
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P.O. Box 2681,
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Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
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Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-111,
Cayman Islands

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road,
North Point,
Hong Kong

Legal Advisers to the Company

K&L Gates
Angela Ho & Associates
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

The Hong Kong & Shanghai Banking Corporation Limited
Huaxia Bank
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Bank of Communications Co., Ltd
Bank of China Limited

Company Website

http://www.8246hk.com

GEM Stock Code

8246

Executive Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of Zhonghua Gas Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

For the financial year 2018, we are pleased to report a year of strong and solid performance for our new energy business, with underlying revenue growth of 22.8%, and gross profit growth of 46.9%, bringing consolidated net profit growth of approximately 90.4% to the Group.

To capture the enormous growth potential of the new energy market in the People's Republic of China (PRC), we started to expand the Company into the new energy business in the second half of 2015. We started from managing construction and engineering projects, and gradually grew to provide technological development and consultancy services, engage in sale and purchase of new energy related industrial products, operate liquefied natural gas (LNG) stations as well as supply LNG. After our continuous efforts for three years, the Group successfully expanded its scope of services and gained an extensive customer base. We also earned the reputation as one of the leading integrated and diversified new energy operators in Tianjin, the PRC. Through our committed plans, we are also making significant strides in enriching our business profile and broadening the income sources to achieve a sustainable growth in profitability.

Furthermore, we continue to seek cooperation and build on our cordial relationship with different engineering and consultancy enterprises from the PRC and around the globe to collaborate in technological and infrastructure areas in the new energy industry. With our consistent investments and active partnerships, we have already yielded a much higher return this year, which indicated our overall corporate growth and operation efficiency.

We always put the interest of our shareholders in mind and will propose to declare dividend this year. In addition, we have laid down a long-term dividend policy that targets to distribute dividend on a continuous basis, when the business conditions of the Company are satisfactory and our business is profitable, and subject to the conditions of this policy, so that our shareholders can share the fruitful success of our business as and when appropriate.

On behalf of the Group, I would like to extend a heartfelt appreciation to the members of our Board, the management team and the staff members who continue to build and strengthen our business with their hard work, dedication to excellence, and forward thinking. Last but not the least, I wish to say thank you to our business partners, clients and shareholders for their continuous support.

Hu Yishi
Executive Chairman

Hong Kong, 18 March 2019

Principal Activities

The principal activities of the Group are provision of diverse integrated new energy services including technological development, construction and consultancy services, operation of liquefied natural gas stations, coupled with trading of new energy related industrial products ("New energy business"), operation of restaurants and trading of non-staple food ("Catering business") and property investment business (the "Property investment").

Financial Highlights

The Board of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2018 (the "Current Year"), together with the audited comparative figures for the corresponding year ended 31 December 2017 (the "Previous Year") as follows:

	2018		2017		Increase
	RMB'000	**HKD'000***	RMB'000	HKD'000#	
Revenue	**371,256**	**423,714**	302,427	361,793	22.8%
Gross profit[(a)]	**185,211**	**211,381**	126,044	150,786	46.9%
Profit and total comprehensive income for the year	**96,740**	**110,409**	50,797	60,768	90.4%
Profit and total comprehensive income attributable to owners of the Company	**82,889**	**94,601**	42,425	50,753	95.4%
EBIT	**143,691**	**163,995**	77,612	92,847	85.1%
EBITDA	**154,052**	**175,820**	80,093	95,815	92.3%
Earnings per share					
Basic	**RMB0.024**	**HK$0.027**	RMB0.012	HK$0.014	100.0%
Diluted	**RMB0.023**	**HK$0.026**	RMB0.012	HK$0.014	91.7%
Dividend	**RMB0.44 cents**	**HK0.5 cents**	Nil	Nil	N/A

	As at 31.12.2018		As at 31.12.2017		Increase
	RMB'000	**HKD'000***	RMB'000	HKD'000#	
Total assets	**679,951**	**776,028**	486,085	581,503	39.9%
Bank balances and cash	**206,007**	**235,116**	95,608	114,376	115.5%
Equity attributable to owners of the Company	**369,253**	**421,428**	269,495	322,397	37.0%

Key Financial Indicators	**2018**	2017
Current ratio (times)[(b)]	**2.3**	2.5
Gross profit margin[(c)]	**49.9%**	41.7%
Net gearing ratio[(d)]	**0.6%**	1.1%
Net profit margin[(e)]	**26.1%**	16.8%
Return on average equity[(f)]	**26.0%**	17.7%

Notes:

(a) The calculation of gross profit is based on revenue minus cost of sales.

(b) The calculation of current ratio is based on current assets divided by current liabilities.

(c) The calculation of gross profit margin is based on gross profit divided by revenue.

(d) The calculation of net gearing ratio is based on total debt divided by total equity.

(e) The calculation of net profit margin is based on profit for the year divided by revenue.

(f) The calculation of return on average equity is based on profit attributable to the owners of the Company divided by average equity.

\# Converted to HK$ at the exchange rate of RMB = HK$1.1963 on 31 December 2017 for reference.

* Converted to HK$ at the exchange rate of RMB = HK$1.1413 on 31 December 2018 for reference.

Management Discussion and Analysis

BUSINESS REVIEW

During the financial year, the Group continued to put forward the strategy of expanding the New energy business with an aim to further broaden income sources and diversify its business.

Leveraging on the successful orderly expansion of the New energy business, the Group recorded a 22.8% year-on-year increase in total revenue from RMB302.4 million to RMB371.3 million for the Current Year as compared to that for the Previous Year thanks to the robust growth in revenue from the New energy business. The new energy sector represented a substantial 88.2% of the Group's total revenue in the Current Year. The Group recorded a significant increase in consolidated net profit for the Current Year of approximately 90.4% as compared to that for the Previous Year. The significant increase in the Current Year's consolidated net profit of the Group was mainly attributable to the increase in the revenue in the provision of diverse integrated new energy services, and the positive contribution from the 5-year tax concession incentive plan obtained from the relevant government department of the PRC.

New Energy Business

During the Current Year, the Group mainly focused on providing new energy related services and operating LNG stations in Tianjin, the PRC. It has also started the LNG trading in the fourth quarter of 2018. The New energy business was the driving factor of the overall business performance for the Current Year.

The Group's names have been changed in September 2018, from "Northern New Energy Holdings Limited" to "Zhonghua Gas Holdings Limited" and the Company has adopted "中華燃氣控股有限公司" as the new dual foreign name in Chinese of the Company to replace "北方新能源控股有限公司" to reflect the Group's determination of focusing on developing the New energy business and expanding the market footprint into the PRC. During the Current Year, the Group extended its business scopes to cover the supply of LNG through partnerships with various industry players and acquisition.

The Group has also completed a number of construction contracts during the Current Year, such as the construction of outdoor pipeline network and engineering projects including coal-to-gas constructions, heat exchange stations monitoring system, safety alert system, remote monitoring system and medium pressure piping; in addition, the Group's new subsidiary for operating LNG stations and related business has started to provide revenue contributions to the Group. The Group also broadened the income stream via contribution of the rental and management fees from LNG storage tanks, as well as trading of industrial products in Tianjin.

Earlier in 2018, the Group acquired Tianjin Jin Re Natural Gas Sales Company Limited ("TJR") that operated LNG stations and held two LNG stations in prime areas in Beichen District of Tianjin, with one of them being the largest LNG storage tank in Tianjin. TJR has delivered solid contribution to the Group after it became the Group's subsidiary. The acquisition enabled the Group to diversify the businesses to cover sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; and development of new energy technology.

Management Discussion and Analysis

The Group also intended to forge a long-term cooperation with Tractebel Engineering S.A. ("Tractebel") and Tianjin Jinre Heat-Supply Group Co. Ltd ("Jinre Group") in areas of technological and infrastructure related business of the new energy industry. The involving parties agreed to extend the date of submitting a feasible proposal to 30 March 2019 under a supplemental memorandum of understanding signed on 6 November 2018 to allow additional time for preparing the proposal.

After successfully obtaining the Dangerous Chemicals Business Operation License, the Group started the LNG trading business in the PRC in the fourth quarter of 2018. Before obtaining the Gas Business Operation license, the Group also gained rental and management fees from leasing out LNG storage tanks and gasification devices from the cooperation partners during the statutory heat supply period.

Besides, the Group has met the relevant requirements for the 5-year tax concession and thus received subsidies from the government departments as incentives granted for technological innovations and talent retentions. Such concessions have made positive contribution to the Group.

Catering Business

As at 31 December 2018, the Group operated four restaurants in Shanghai, the PRC, with one of them outsourced to and operated by an independent contractor. The Group also operated the non-staple food trading business, which the products produced are sold at the Group's restaurants and other retail stores.

In relation to the contractual dispute between Noble House Management Company and 寧波東海名軒餐飲有限公司 (Dong Hai Noble House Food and Beverage Co., Ltd.) ("Dong Hai Noble House") as disclosed in the announcement of the Company dated 29 July 2016, in which Dong Dai Noble House alleged that from January 2012 to September 2015, its operation loss was RMB14.66 million, and that Noble House Management Company failed to compensate such loss to Dong Hai Noble House in accordance with the terms and conditions of a management agreement.

According to the first instance judgment made by the The People's Court of Yinzhou District, Ningbo, Zhejiang (寧波市鄞州區人民法院) on 12 December 2017, Dong Hai Noble House's litigation claims were rejected. However, the Intermediate People's Court of Ningbo City (寧波市中級人民法院) was of the view that the facts were unclear, the case was therefore remanded to the Yinzhou People's Court for retrial. As advised by the PRC legal adviser, it is believed that there would not be significant impact on the Group's operations or financial positions as a result of the retrial and no provision is considered necessary. Further, in December 2018, Noble House Management Company filed a compulsory dissolution lawsuit against Dong Hai Noble House. As at the date of this report, the proceedings are still on-going and no judgment or court order has been made.

Property Investments

The Group owns two office premises on Beijing Road West, Jing An District, Shanghai. The two premises continued to be on medium term lease, with both generating stable rental income for the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the Current Year, revenue of the Group amounted to RMB371.3 million, representing an increase of 22.8% from RMB302.4 million for the Previous Year. The increase was mainly attributable to the increase in revenue of RMB71.1 million from New energy business during the Current Year.

Cost of sales

	2018 RMB'000	2017 RMB'000	Increase
New energy business	**148,966**	139,593	6.7%
Catering business	**37,079**	36,790	0.8%
Property investments	**–**	–	–
Group total	**186,045**	176,383	5.5%

The cost of sales of New energy business increased to RMB149.0 million as compared to RMB139.6 million in the Previous Year. The increase was mainly attributable to the growth in number and contract value of the projects completed during the Current Year as compared to the Previous Year. The cost of sales of Catering business was slightly increased by 0.8% from RMB36.8 million in the Previous Year to RMB37.1 million, mainly as a result of the higher staff cost and rental expenses of restaurants and absence of the item of reversal of impairment loss on inventories in the Current Year.

Gross profit margin

	2018 %	2017 %
New energy business	**54.5%**	45.6%
Catering business	**14.7%**	19.3%
Property investment	**100.0%**	100.0%
Group	**49.9%**	41.7%

Gross profit margin of the New energy business segment slightly increased from 45.6% to 54.5% for the Current Year, mainly due to in the Current Year the projects completed in the provision of technological development and consultancy services commanded higher gross profit margin compared with the constructions project, of which boosted the overall gross profit margin of the New energy business segment. The gross profit margin of the Catering business slightly decreased from 19.3% in the Previous Year to 14.7% in the Current Year, mainly due to the effect of higher staff cost and rental expenses of restaurants and gross profit margin of the Property investment segment was 100% (Previous Year: 100%).

Management Discussion and Analysis

Other gains and losses

Other gains of RMB0.6 million were recorded in the Current Year as compared to other losses of RMB1.5 million in the Previous Year, mainly due to a net foreign exchange gain recorded for the Current Year as compared with the net foreign exchange loss recorded in the Previous Year.

Administrative expenses

Administrative expenses increased by 14.9% from RMB44.6 million for the Previous Year to RMB51.3 million for the Current Year. It was mainly due to the increase of RMB1.6 million share-based payments expenses amortized in the Current Year as compared to the Previous Year and also RMB2.0 million increase in staff cost for enhancing team strengths. Depreciation of property, plant and equipment expenses decreased by 48.6%, from RMB1.4 million for the Previous Year to RMB0.7 million for the Current Year due to the write off of fixed asset by the Group in last year.

Income tax expense

Income tax expense was RMB47.0 million (Previous Year: RMB26.8 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin.

Non-controlling interests

Non-controlling interests increased by 65.4% from RMB8.4 million for the Previous Year to RMB13.9 million for the Current Year, mainly due to the increase in operating profit generated by the Group's non-wholly-owned subsidiaries in Tianjin in the Current Year.

Profit and total comprehensive income attributable to owners of the Company

The profit and total comprehensive income attributable to owners of the Company sharply increased, by 95.4%, from RMB42.4 million for the Previous Year to RMB82.9 million for the Current Year. The increase was mainly caused by an increase in strong results contribution from its New energy business during the Current Year. The basic and diluted earnings per share for the Current Year was RMB2.4 cents and RMB2.3 cents respectively, as compared to both RMB1.2 cents in the Previous Year.

Review of the Group's operations by segment during the Current Year is as follows:

New energy business

The results of the New energy business leap for the Current Year. It recorded increase in revenue of 27.7% from RMB256.5 million for the Previous Year to RMB327.5 million for the Current Year. The revenue from this business segment accounted for 88.2% of the Group's total revenue (Previous Year: 84.8%).

Management Discussion and Analysis

The table below set forth a breakdown of the Group's revenue generated from the New energy business segment:

District	**2018 Revenue RMB million**	2017 Revenue RMB million
Xiqing (西青區)	**203.7**	123.2
Beichen (北辰區)	**72.3**	6.0
Jinghai (靜海區)	**16.8**	2.9
Hi-Tech Industrial Development area (高新區)	**15.5**	8.3
Heping (和平區)	**7.3**	–
Hangu (漢沽區)	**7.2**	68.1
Hexi (河西區)	**2.8**	30.2
Baodi (寶坻區)	**1.9**	–
Nankai (南開區)	**–**	12.3
Hedong (河東區)	**–**	5.5
	327.5	256.5

The revenue from the New energy business for Current Year contributed by the projects completed by the Group included the construction of outdoor pipeline network and engineering projects including coal-to-gas constructions, heat exchange stations monitoring system, safety alert system, remote monitoring system and medium pressure piping; rental and management fees from LNG storage tanks, as well as trading of LNG and industrial products in Tianjin. The segment also recorded a leap in segment results, by 66.2%, from RMB111.0 million for the Previous Year to RMB184.4 million for the Current Year.

Catering business

During the Current Year, the segment also recorded a decrease in revenue, 4.6%, from RMB45.6 million for the Previous Year to RMB43.5 million for the Current Year. Operating restaurants contributed RMB43.1 million (Previous Year: RMB45.1 million) to the revenue of Catering business, RMB0.4 million from trading of non-staple food (Previous Year: RMB0.5 million). The decrease in revenue was mainly due to the reduced revenue from the operating restaurants.

A segmental loss of RMB3.8 million was recorded in the Current Year, as compared to a segmental profit amount to RMB0.8 million in the Previous Year.

Management Discussion and Analysis

The table below set forth a breakdown of the Group's revenue generated from operation of restaurants and their operating margin:

	Revenue (RMB in millions) Year ended 31 December		Gross profit margin Year ended 31 December	
	2018	2017	**2018**	2017
Noble House Xuhui Restaurant, Shanghai (上海徐匯店)	**17.9**	17.7	**42.7%**	41.3%
Noble House Pudong Restaurant, Shanghai (上海浦東店)	**13.9**	14.0	**25.3%**	29.2%
Noble House Restaurant, Radisson Hotel, Shanghai (上海新世界店)	**10.8**	13.0	**4.3%**	16.6%
Noble House Luwan Restaurant, Shanghai (上海盧灣店)[g]	**0.5**	0.4	**N/A**	N/A
	43.1	45.1		

The table below set forth the average spending per customer per meal and number of customers of the Group's restaurants.

Restaurants	Approximate seating capacity (seats)	Approximate Gross floor area (sq.m.)	Approximate total number of customers visited Year ended 31 December 2018	Approximate total number of customers visited Year ended 31 December 2017	Average spending per customer per meal (RMB) Year ended 31 December 2018	Average spending per customer per meal (RMB) Year ended 31 December 2017
Noble House Xuhui Restaurant, Shanghai (上海徐匯店)	140	978	**21,030**	23,605	**838**	750
Noble House Pudong Restaurant, Shanghai (上海浦東店)	146	800	**17,975**	18,163	**771**	772
Noble House Restaurant, Radisson Hotel, Shanghai (上海新世界店)	134	1,370	**15,413**	26,360	**702**	495
Noble House Luwan Restaurant, Shanghai (上海盧灣店)[g]	85	781	**N/A**	N/A	**N/A**	N/A

[g] Noble House Luwan Restaurant, which is operated under an external operation contracting agreement since 1 January 2016. The contractor shall manage the restaurant and bear the operating risks.

Revenue from the operation of restaurants was RMB43.1 million (Previous Year: RMB45.1 million). The decrease was mainly due to the slack in high-end catering industry in the PRC. The restaurants recorded an overall decrease in number of customer visits. The average spending per customer was slightly improved in Xuhui and Radisson Hotel Restaurant but dropped in the Pudong Restaurant.

Property investments

The Group holds two properties at Room 609 and Room 1604, No. 1701 Beijing Road West, JingAn District, Shanghai. The properties were being held for investment purpose and it generated rental income and segmental profit of RMB0.2 million and RMB0.1 million respectively in the Current Year (Previous Year: RMB0.3 million and RMB1.2 million respectively). The premises were vacant during the second quarter of 2018 and therefore recorded a slight drop in rental income for the Current Year. During the third quarter of 2018, the two premises have been successfully leased out under medium term lease. The investment properties were expected to bring stable long-term rental income to the Group.

PROSPECTS

With the launch of Eight Tianjin clauses (天津八條) that aimed to create a better business environment and develop favorable terms for Tianjin enterprises in different aspects, it is believed that the Group's operations will also be positively affected. The Group sees it as an opportunity for growth as tax concessions and other subsidies would allow the Group to operate better with taxes and administrative costs being greatly reduced.

Under the current "2+26" key city development objective, Beijing-Tianjin-Hebei and surrounding areas will continue their final transitions of replacing coal with natural gas and electricity. It facilitated the Group's new energy development due to rising demand for maintenance of coal-to-gas equipment and technology as well as for construction projects in relation to LNG.

Regarding the New energy business, becoming a diversified and integrated new energy service provider in the PRC has been the Group's primary goal. To this end, the Group has strived to seize every opportunity to strengthen this business sector. The Group sees high potential in the LNG business in particular and therefore it has been aggressively developing the supply of LNG via engaging suitable LNG suppliers (including overseas suppliers) and means to transporting the LNG to storage facilities and delivering the LNG products. The Group actively explored possible cooperation, from undertaking engineering projects to providing comprehensive services related to supply of liquefied and gasified natural gas and provision of technical consultancy services.

While Tianjin, the Group's main base of business, the Group will continue to seek cooperation and build on the cordial relationship with different engineering and consultancy enterprises from the PRC and around the globe to collaborate in technological and infrastructure areas in the new energy industry. It will continue to enrich the business profile and broaden the income sources to achieve a sustainable growth in profitability.

Whereas for the Catering business, the segment recorded continuous unsatisfactory results, the Group shall continue to adopt prudent management policy and practices to protect the return for our shareholders. As for Property investment, the Group will continue to look for quality investment projects that generate stable rental income to bring better returns for our shareholders.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, bank balances and cash maintained by the Group were RMB206.0 million, representing an increase of 115.5% from RMB95.6 million as at 31 December 2017, mainly due to receipt of trade receivable over due. Trade and other receivables were RMB378.5 million, slightly increased by 1.2% from RMB373.8 million as at 31 December 2017, which mainly represented the increase in other receivables due to increase of value-added tax for purchases after completion of acquisition of assets through acquisition of a subsidiary in Tianjin.

Trade and other payables increased from RMB155.7 million as at 31 December 2017 to RMB218.1 million, by 40.1%, mainly reflected the increase in trade payables from the New energy business. The amount due to a director had been settled during the Current Year, so the amount decreased from RMB0.4 million as at 31 December 2017 to RMB0. The tax liability slightly increased from RMB21.4 million as at 31 December 2017 to RMB23.9 million, by 11.5%.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2018 were RMB587.9 million and RMB254.2 million (31 December 2017: RMB473.0 million and RMB191.4 million) respectively.

The Group had no bank borrowings as at 31 December 2018. The gearing ratio of the Group, measured as total debt to total equity, decreased slightly to 0.6% as at 31 December 2018 (31 December 2017: 1.1%). The Group recorded net assets of RMB425.7 million as at 31 December 2018 compared with RMB294.7 million as at 31 December 2017. The increase was mainly due to the net profit recorded during the Current Year, increase in non-controlling interest through completion on acquisition of a non-wholly owned subsidiary in Tianjin and recognition of equity-settled share based payments. During the Current Year, the Group financed its operations with the funds from its internal resources.

CAPITAL STRUCTURE

During the Current Year, an aggregate of 11,448,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK$0.289 granted on 9 June 2017. As at 31 December 2018, the Company had an aggregate of 3,510,968,000 shares of HK$0.00125 each in issue.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company had successfully placed 56,000,000 new shares (i.e. 448,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016) to four subscribers (the "First Placing") at a subscription price of HK$0.65 per new shares on 28 November 2014 and 80,000,000 new shares (i.e. 640,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016) to one subscriber at the subscription price of HK$0.95 per subscription share (the "Second Placing") on 30 June 2015. The aggregate gross proceeds and net proceeds from the two placings are HK$112,400,000 (equivalent to RMB88,835,000) and HK$112,149,000 (equivalent to RMB88,638,000). The Company intended to use the net proceeds from the two placings as follows:

(i) HKD25,500,000 (equivalent to approximately RMB20,127,000) for any potential investment opportunities as identified by the Group; and

(ii) HKD86,649,000 (equivalent to approximately RMB68,511,000) as general working capital of the Group.

Management Discussion and Analysis

As at 31 December 2018, the Company utilized all of the proceeds HK$86,649,000 (equivalent to RMB68,511,000) for general working capital in the operation of the Group.

In addition, as at 31 December 2018, the Group utilized approximately HK$19,675,000 (equivalent to RMB16,200,000) out of the proceeds for potential investment for the establishment of a subsidiary in Tianjin in the second half of 2015.

The remaining net proceeds remained available for the intended use.

DIVIDENDS

The Board has recommended a final dividend of HK0.5 cents per ordinary share for the Current Year (Previous Year: Nil) to the shareholders. Subject to the approval of the shareholders at the forthcoming annual general meeting and subject to further disclosure as appropriate in respect of the book closure date, record date and payment date, the proposed 2018 final dividend is expected to be distributed to the shareholders on or before 15 August 2019. The proposed dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2018.

CLOSURES OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited (the "Share Registrar") at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 June 2019.

(ii) For determining the entitlement of the Final Dividend, the Register of Members will be closed on Wednesday, 17 July 2019 to Friday, 19 July 2019 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Share Registrar for registration not later than 4:30 p.m. on Tuesday, 16 July 2019. The Final Dividend is expected to be distributed to those entitled on Thursday, 15 August 2019.

FOREIGN CURRENCY EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB, with some denominated in Hong Kong dollars. Some of the Group's cash and bank deposits were denominated in RMB, while others were denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact on the Group. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary. During the Current Year, the Group did not use any financial instruments for hedging purposes (Previous Year: Nil).

LITIGATION

Details of the litigation are stated in note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in note 32 to the consolidated financial statements, there was no other significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Year. There is no plan for material investments or capital assets as the date of this report.

CAPITAL COMMITMENT

There were no other capital commitment for the Group as at 31 December 2018 and 2017.

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not have any mortgage or charge over its assets.

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 31 December 2018, the Group had approximately 233 staff in the PRC and 15 staff in Hong Kong. The Group recognised the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business, as well as exploring potential investment opportunities. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related bonus. A remuneration committee ("Remuneration Committee") was set up for, inter alia, reviewing the Group's emolument policy and structure for all Directors and senior management of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hu Yishi ("Mr. Hu"), aged 43, is our executive chairman (the "Executive Chairman") and executive Director. He joined our Group in August 2015 and is responsible for the overall corporate development and strategic planning of the Group. Mr. Hu is the spouse of Ms. Lin Min, Mindy, an executive Director of the Company. Mr. Hu holds directorship positions within the other members of the Group.

Mr. Hu was previously an executive director of Zhong Fa Zhan Holdings Limited (stock code: 475) and a non-executive director and the chairman of Kai Yuan Holdings Limited (stock code: 1215), the issued shares of both companies are listed on the Stock Exchange.

Mr. Hu graduated from Shanghai International Tourism Vocational Technology School. Mr. Hu has accumulated extensive experience in China affairs, business development and business expansion, he is also experienced in overall strategic planning, management and operation of companies.

Mr. Chan Wing Yuen, Hubert ("Mr. Chan"), aged 61, is our chief executive officer (the "CEO") and executive Director. He joined our Group in August 2014 and is responsible for running the Group's business and the implementation of the approved strategies of the Group. He is the compliance officer and the authorized representative of the Company and holds directorship positions within the other members of the Group.

Mr. Chan has been an executive director of Zhong Fa Zhan Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 475), since November 2011. He has been an independent non-executive director of Tian Ge Interactive Holdings Limited (stock code: 1980) and FIT Hon Teng Limited (stock code: 6088) since June 2014 and November 2016 respectively, the issued shares of both companies are listed on the Stock Exchange. He has also been an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd, which is a company listed on both the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157).

Mr. Chan spent over ten years with the Stock Exchange. He also held various positions with companies listed in Hong Kong, including: as an executive director of Softpower International Limited (previously known as China Pipe Group Limited) (stock code: 380), as an executive director and the chief executive officer of EverChina Int'l Holdings Company Limited (previously known as Interchina Holdings Company Limited) (stock code: 202), as an independent non-executive director of China Smarter Energy Group Holdings Limited (previously known as Rising Development Holdings Limited) (stock code: 1004), and as a director and deputy general manager of Guangdong Investment Limited (stock code: 270).

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan is currently an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and also is a member of the Hong Kong Institute of Directors and the Hong Kong Securities and Investment Institute. In addition, he is a member of the Chinese People's Political Consultative Conference – Heilongjiang Province Committee (中國人民政治協商會議黑龍江省委員會).

Biographical Details of Directors and Senior Management

Ms. Lin Min, Mindy ("Ms. Lin"), aged 43, is our executive Director. She joined our Group in August 2014 and is the spouse of Mr. Hu, an executive Director and the Executive Chairman of the Company. She is a member of the remuneration committee and the nomination committee and holds directorships position within the other members of the Group.

Ms. Lin was previously an executive director of Sheng Yuan Holdings Limited (stock code: 851), the shares of which are listed on the Stock Exchange.

Ms. Lin was graduated in the research programme on enterprise management from East China Normal University (華東師範大學) and the enterprise management programme from Shanghai Jingan District College (上海市靜安區業餘大學).

Ms. Kwong Wai Man, Karina ("Ms. Kwong"), aged 49, is our chief financial officer (the "CFO") and executive Director. She joined our Group in August 2014 and is responsible for the overall finance and administration functions and corporate governance enforcement of the Group. She is the process agent and the authorized representative of the Company and holds directorship positions within the other members of the Group.

Ms. Kwong has extensive experience in accounting, financial management and corporate finance. Ms. Kwong worked for sizable organisations in various industries as senior executives in both Canada and Hong Kong. Ms. Kwong was previously an executive director of Zhong Fa Zhan Holdings Limited (stock code: 475), Sheng Yuan Holdings Limited (stock code: 851) and Kai Yuan Holdings Limited (stock code: 1215), and an executive director and a non-executive director of Grandmass Enterprise Solution Limited, now known as Grand Peace Group Holdings Limited (stock code: 8108), the shares of all companies are listed on the Stock Exchange.

Ms. Kwong holds a bachelor degree in Business Administration from the Simon Fraser University, is a member of the American Institute of Certified Public Accountants and the Hong Kong Securities and Investment Institute, and a fellow member of the Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lui Tin Nang ("Mr. Lui"), aged 61, is our independent non-executive Director. He joined our Group in October 2014 and is the chairman of the audit committee, the remuneration committee and also the nomination committee of the Company.

Mr. Lui has years of experience in accounting, auditing, taxation, corporate finance and business advisory. He is the principal of T.N. Lui & Co., an accounting firm in Hong Kong. He is currently an independent non-executive director of Brilliant Circle Holdings International Limited (stock code: 1008) since March 2009, the shares of which are listed on the Stock Exchange.

Mr. Lui was previously an independent non-executive director of China Bio-Med Regeneration Technology Limited, (now known as China Regenerative Medicine International Limited) (stock code: 8158), the shares of which are listed on the Stock Exchange.

Mr. Lui holds a bachelor degree in Science from the University of Leeds and a master degree in Business Administration from the University of Bradford in United Kingdom. In addition, Mr. Lui obtained a postgraduate diploma in Insolvency from the Hong Kong Institute of Certified Public Accountants. Mr. Lui is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practising), the Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants and Auditors and an associate of The Chartered Institute of Management Accountants. He is also a fellow member and a certified tax adviser of The Taxation Institute of Hong Kong. He is also a member of the Institute of Certified Public Accountants in Australia.

Biographical Details of Directors and Senior Management

Ms. Ma Lee ("Ms. Ma"), aged 54, is our independent non-executive Director. She joined our Group in October 2014 and is the member in each of the audit Committee, Remuneration Committee and nomination Committee of the Company.

Ms. Ma has years of experience in financial management and professional accounting. Having started her career as a professional accountant in an international accountancy firm, she has undertaken key financial management positions in companies engaged in different industries.

Ms. Ma was previously an independent non-executive director of Grandmass Enterprise Solution Limited, now known as Grand Peace Group Holdings Limited (stock code: 8108) and the chief financial officer and company secretary of Shinhint Acoustic Link Holdings Limited (now known as Yuhua Energy Holdings Limited) (stock code: 2728), the shares of the both companies are listed on the Stock Exchange.

Ms. Ma holds a bachelor degree of Commerce from the Australian National University and a master degree of Business Administration from the Chinese University of Hong Kong. She has been practicing as a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lau Kwok Kee ("Mr. Lau"), aged 59, is our independent non-executive Director. He joined our Group in June 2017 and is the member in each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Lau is a practicing solicitor in Hong Kong and was admitted to practice law as a solicitor in Hong Kong in 1989. He is the principal of K. K. Lau & Co., a solicitor firm in Hong Kong. He is a director of Synergy Fund Management Group Limited since December 2015.

Mr. Lau was previously an independent non-executive director of Grandmass Enterprise Solution Limited, now known as Grand Peace Group Holdings Limited (stock code: 8108), the issued shares of which are listed on the Stock Exchange.

Mr. Lau was graduated with a Bachelor's Degree in Science from the University of Hong Kong in 1982 and later obtained a Bachelor's Degree in Laws from the University of London in 1985. He subsequently obtained a Postgraduate Certificate in Laws at the University of Hong Kong in 1987. Mr. Lau had also been awarded with the Diploma in Chinese Law from the University of East Asia Macau in 1990.

COMPANY SECRETARY

Ms. Chan Wai Yee ("Ms. Chan"), aged 45, was appointed as company secretary (the "Company Secretary") of the Company on 15 August 2014. Ms. Chan holds a master degree in Accountancy from Lingnan University. She is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Taxation Institute of Hong Kong.

Corporate Governance Report

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. Various measures have been adopted to ensure that a high level of corporate governance is maintained throughout the operation of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To comply with all the new code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules, relevant amendments and adoptions has been adopted by the Company for the Current Year, except for the deviations from code provision A.6.7 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

Under code provision A.6.7, the Board members should attend general meetings to gain and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the Executive Chairman and one of the executive Directors were unable to attend the Company's annual general meeting held on 1 June 2018.

Besides, the Executive Chairman, two executive Directors and two independent non-executive Directors were unable to attend the Company's extraordinary general meeting held on 17 August 2018.

Save as disclosed above, the Directors are of the opinion that the Company and the Board had complied with the CG Code throughout the Current Year.

COMPLIANCE WITH THE REQUIRED STANDARDS OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2018, he had fully complied with the required standard of dealings and there was no event of non-compliance.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") effective on 1 September 2013 which sets out the approach to achieve diversity on the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Corporate Governance Report

BOARD OF DIRECTORS

As at 31 December 2018, the Board comprises four executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to enhance value to the shareholders. The composition of the Board and biographies of the Directors are set out on pages 16 to 18 of this report.

The four executive Directors are responsible for the leadership and control of the Company and oversee the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Save for that Ms. Lin is the spouse of Mr. Hu, each of the Directors has no relationship with other Directors.

The Roles of the Executive Chairman and Chief Executive Officer

The Company has appointed Mr. Hu to be the executive Director and Executive Chairman of the Company in August 2015. Mr. Hu is responsible for the overall corporate development and strategic planning of the Group.

According to code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. At present, Mr. Hu serves as the Executive Chairman. The Executive Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while Mr. Chan serves as the CEO of the Group. The CEO is responsible for running the Group's business and the implementation of the approved strategies of the Group.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, the Board held 14 Board meetings and 2 general meetings. The Directors attended those meetings in person, by phone or through other electronic means of communication.

Corporate Governance Report

The individual attendance record of each Director at the meetings during the financial year is set out below:

Name of Directors	Attendance/Number of meetings — Board meeting	Attendance/Number of meetings — General meeting
Executive Directors		
Mr. Hu Yishi *(Executive Chairman)*	13/13	0/2
Mr. Chan Wing Yuen, Hubert *(Chief Executive Officer)*	14/14	2/2
Ms. Lin Min, Mindy	13/13	0/2
Ms. Kwong Wai Man, Karina	14/14	2/2
Independent non-executive Directors		
Mr. Lui Tin Nang	13/13	1/2
Ms. Ma Lee	13/13	2/2
Mr. Lau Kwok Kee	13/13	1/2

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available to all Directors.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance. Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the Company Secretary and opened for inspection by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Corporate Governance Report

Training and Support of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code and Report on Directors' training. All Directors have participated in continuous professional development by the following means to develop and refresh their knowledge.

Independent non-executive Directors

Two of the independent non-executive Directors has entered into a letter of appointment with the Company on 1 October 2014 and one of the independent non-executive Directors have entered into a letter of appointment with the Company on 8 June 2017, and shall continue thereafter unless terminated by not less than one month's notice in writing. Each of the independent non-executive Director is entitled to a Director's fee.

Audit Committee

The Company has established the Audit Committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee.

The updated terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

All committee members possess appropriate industry and financial experience to advise on the Group's strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems, risk management matters and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and oversee independence and qualifications of the external auditor.

During the Current Year, 8 meetings were held and the attendance of each member is set out as follows:

Members of the Audit Committee	Number of attendance
Mr. Lui Tin Nang	8/8
Ms. Ma Lee	8/8
Mr. Lau Kwok Kee	8/8

The following is a summary of work performed by the Audit Committee during the year:

1. Reviewed the Group's quarterly, half-yearly and annual results and corporate governance matters for inclusion in the Company's annual report for the year ended 31 December 2018 and recommended them to the Board for review and approval;

2. Reviewed and discussed the Company's financial controls, internal control and risk management systems with management to ensure that management has performed its duty to have effective systems;

3. Reviewed with the management of the Company the accounting principles and practices adopted by the Group for the year ended 31 December 2018; and

4. Reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, their independence and objectivity and made recommendation to the Board on the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company.

Remuneration Committee

The Company has established the Remuneration Committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Remuneration Committee comprises one executive Director, namely, Ms. Lin Min, Mindy and three independent non-executive Directors, namely, Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee. The Remuneration Committee is mainly responsible for making recommendations to the Board as to the policy and structure for the remuneration of the executive Directors and senior management, determining the specific remuneration packages of all the executive Directors and senior management, reviewing and approving performance based remuneration and compensation for loss or termination of office payable to executive Directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management.

The updated terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

During the year, 2 meetings were held and the attendance of each member is set out as follows:

Members of the Remuneration Committee	Number of attendance
Mr. Lui Tin Nang	2/2
Ms. Lin Min, Mindy	2/2
Ms. Ma Lee	2/2
Mr. Lau Kwok Kee	2/2

The following is a summary of work performed by the Remuneration Committee during the year:

1. Reviewed the policy for the remuneration of executive Directors;

2. Assessed performance of executive Directors; and

3. Made recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Nomination Committee

The Company has established the Nomination Committee ("Nomination Committee") on 12 November 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Nomination Committee comprises one executive Director namely, Ms. Lin Min, Mindy and three independent non-executive Directors, namely, Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning of the Directors.

The updated terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

Board Nomination Policy

The Company has adopted a nomination policy for the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. In selecting and recommending candidates for directorship to the Board, the Nomination Committee would consider various aspects such as candidate's qualification, time commitment to the Company and contributions that will bring to the Board as well as factors concerning the Board diversity as set out in the Company's Board diversity policy, before making recommendation to the Board on the appointment of Directors. The Nomination Committee will review the Board Nomination Policy, as appropriate, to ensure its continued effectiveness from time to time.

During the year, 2 meetings were held and the attendance of each member is set out as follows:

Members of the Nomination Committee	Number of attendance
Mr. Lui Tin Nang	2/2
Ms. Lin Min, Mindy	2/2
Ms. Ma Lee	2/2
Mr. Lau Kwok Kee	2/2

The following is a summary of work performed by the Nomination Committee during the year:

1. Reviewed the policy for the nomination of Directors;

2. Reviewed the nomination procedures and the process and criteria to select and recommend candidates for directorship;

3. Reviewed the structure, size and composition of the Board;

4. Recommended to the Board the appointment of and the re-appointment of executive Directors and independent non-executive Directors; and

5. Reviewed the board diversity policy to achieve diversity on the Board.

Company Secretary

Ms. Chan was appointed as the Company Secretary on 15 August 2014. Ms. Chan reports to Board directly and ensures that the Board procedures, applicable law, rules and regulations are followed and the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of Directors. According to the Rule 5.15 of the Listing Rules, Ms. Chan has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2018. The Company Secretary's biography is set out in the "Biographical Details of Directors and Senior Management".

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of quarterly, interim and annual reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on the assumption that the Group will continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 44 to 47.

AUDITOR'S REMUNERATION

Analysis of remuneration in respect of audit and non-audit service provided by the external auditor, Deloitte Touche Tohmatsu, for the year ended 31 December 2018 is as follows:

Nature of services	**Amount** RMB'000
Audit services	1,135
Non-audit services — interim review, tax advisory and others	444

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to maintain effective risk management and internal control systems in order to protect the overall interests of the Company and its shareholders. However, the systems are designed to manage but not eliminate all risks of failure to achieve business objectives. It does not provide an absolute shield against unpredictable risks and uncontrollable events such as natural catastrophes, fraud, and errors of judgement, It can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

RISK MANAGEMENT STRUCTURE

Board

As a body in charge of the Group's risk management and internal control systems, the Board is responsible for the setting up of clear ERM framework and risk management policies, the purposes of which are to assess and evaluate the business strategies of the Group and its degree of risk tolerance. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, as well as conducting review at least once year as to its effectiveness.

Audit Committee

As the highest body, second only to the Board, being responsible for the risk management and internal control systems, the Audit Committee provides advices and supports to the Board in respect of all risk-related matters, including monitoring the implementation of the overall risk management procedures of the Group, conducting review on the risk register of the Group, review and approve the internal control review plan and its results.

Management

The management of the Group is responsible for identifying and continuous monitoring of the Group's exposure to risks in relation to strategy, operation, finance, reporting and compliance during the daily operations of the Group. It reports to the Board and the Audit Committee regarding the risks and their changes, formulates a set of internal control measures to mitigate the risks, collects through various channels the deficiencies of the internal control system and conducts rectifications in a timely manner.

Internal Audit Function

The Group has put in place the internal audit function. Annual review on the effectiveness of the risk management procedures of the Group will be conducted by the management and the Audit Committee, and professional internal control advisers may be consulted if necessary. The plan of internal control review will be submitted to the Audit Committee for review and approval, and the person in charge of the internal control review will also report the review results to the Audit Committee.

RISK MANAGEMENT PROCESS

The ERM framework has been set up by the Group so as to manage the Group's risk exposures in an effective manner. The framework defines the procedures to identify, evaluate, response and monitor risks and any change thereof. Through periodic internal discussion, the risk management knowledge of different departments will be enriched, which enables better understanding and timely reporting of risks by all staff, thereby strengthening the Group's risk management capability.

When identifying risks, the management will communicate with different operational departments and collect information of significant risk factors in various aspects such as strategy, operations and finance, reporting and compliance in a bottom up approach. Upon specifying areas of risk assessment, the management will evaluate the importance of risks based on their potential impact and the possibility of occurrence and set up internal control measures to mitigate the risks. On-going monitoring and reporting of any change of risks will also be conducted.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Maintaining an effective internal control system (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;
- Code of conducts have been formulated to promote integrity and ethical conducts to the staff;
- Whistleblowing system is set up to encourage employees to report any misconduct or fraud;
- Appropriate IT system access restrictions have been set to avoid disclosure of price sensitive information;
- Policies regarding insider information disclosure are established, which involve reporting channels. The person in charge of the information disclosure will be responsible for answering external enquiries and seek consultation from professional financial consultants or the Stock Exchange when necessary.

During 2018, the Board had reviewed the effectiveness of the internal control policies and procedures, including the procedures regarding financial reporting and those as stipulated under the Listing Rules. When carrying out review on the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, trainings to be provided to the staff and the relevant budget.

Ongoing monitoring of risks (Risk management level)

Based on the ERM framework and risk management policies as formulated by the Board, the management will communicate with different operational departments and collect information of significant risk factors which will affect the Group in a bottom up approach and consistently monitor changes in risks. Risks which has been identified will be recorded in a risk register. Regular assessment will be carried out on the potential impact to the Group and the possibility of occurrence of each major risk so as to lay down relevant internal control measures.

During 2018, the management had reviewed risk management structure and procedures and had submitted to the Board and the Audit Committee a risk assessment report and a 3-year plan of internal control review, so that the Board and the Audit Committee can enable effective monitoring of the Group's major risk and better understanding of how the management handle and mitigate the risks.

Independent review

The internal audit team of the Group is comprised of the persons who are not responsible for areas under the review. The list of review team and scope of review have been approved by the Audit Committee. The team conducts independent review on risk management and internal control systems of the Group so as to assess the effectiveness. A report of internal control review is submitted to the Audit Committee.

Corporate Governance Report

During 2018, the internal audit team had completed review on internal control for the year, period of reviews covered transactions carried out from 1 January 2018 to 31 December 2018. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had report the review results to the Audit Committee.

Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

THE GROUP'S MAJOR RISKS AND THEIR CHANGES

The Group's major risks and the changes thereof are set out as follows:

Risk	Description	Internal control measures	Changes
Economic downturn	Affected by the economic downturn, consumers' sentiment may be dampened and they may reduce the frequency of dining outside.	– The management will conduct analysis on changes in overall economy so as to adjust business strategies – Business diversification to adapt to the overall economic changes – Investment and expenses will be reduced during economic Downturn	Increase
Market competition	Given the intense competition in the catering industry, the competitors may introduce more attractive or competitive products and the consumers' preference may changes from time to time, which may affect the revenue of the Group. With the continuous development of coal-to-gas related projects and the unchanged total resident population in Beijing-Tianjin region, the local market tends to be saturated, which affects the business development of the Group.	– Understand the reasons of choice making of the potential customers and make improvement to address the reasons – Adjust key elements to improve the operations and maintain attractiveness of the restaurants of the Group – The Group explores opportunities to expand the new energy business to other northern regions in order to seek business growth.	Increase

Risk	Description	Internal control measures	Changes
Government policy changes	If the government announces any change on the policies regarding "coal to gas", the number of projects that available to the Group may be affected. Target at the impact of changes in price policy	– The management will keep abreast of any change on the relevant policies so as to adjust business strategies of the Group on a timely manner – To expand types of service to be provided by the Group in order to diversify risk – Improve sales structure analysis in advance, strengthen the continuous optimization of customer structure, and enhance LNG sales	No change
Health and safety	The Company's operations involve liquefied natural gas. Improper operation may cause safety accidents as well as serious damages or injuries to properties or personnel.	– The Company's operations and on-site operation strictly comply with national regulations on hazardous chemicals and the relevant operational practices of the Group – Strengthen the maintenance and management of equipment and facilities, enhance the management level of equipment, and ensure integrity rate of equipment. Employ qualified professionals and improve safety awareness among employees through trainings – Timely warning of abnormal conditions through the self-control monitoring system to ensure a 100% monitoring rate of important production operations – Compile the Emergency Plan, and continuously improve the team's business capabilities at all levels, such as dispatching operations, on-site operations, line patrol, repair and maintenance	Increase

Corporate Governance Report

Risk	Description	Internal control measures	Changes
Environmental protection	With the official implementation of the new Environmental Protection Tax Law, the Company is required to pay the corresponding taxes based on its taxable pollutants, waste and noise. If the Company does not have corresponding energy conservation and emission reduction measures, the Company may be subject to a high environmental protection tax.	– Establish environmental protection practices on a project-by-project basis, which are organized by the management and complied by all employees; and establish environmental key performance indicators for each project, which are achieved by those involved in the project – Educate the management and employees to improve their environmental awareness – Prepare for the establishment of the "Environmental, Social and Governance" Committee of the Group to, among others, enhance the supervision and implementation efficiency of the environmental protection and related areas, and gradually establish an all-encompassing risk system	Increase

Risk	Description	Internal control measures	Changes
Supply chain	In case the suppliers or contractors fail to complete their work or provide products or services with good quality, the customers' satisfactions towards the Group may be dampened or it may cause us extra cost to complete the relevant works. In winter, insufficient natural gas supply due to the surge in demand may affect the provision of services such as coal to gas, gas supply and heating.	– When choosing suppliers and contractors, stringent assessment will be conducted. – Terms of outsourcing contracts will be reviewed by project managers and internal or external legal professional to ensure clear define responsibilities of each party. – Person in charge of the project will conduct on-site inspection to examine the quality and performance of suppliers and contractors in order to ensure that their products and services are up to the standards of the Group. – Look for a number of stable LNG suppliers to avoid monopolizing the supply chain of the Company. – Make reasonable predictions on future sales volume, prepare LNG reserve in advance according to expected sales volume, and prepare the reserve in low-price season to cope with sudden price and supply fluctuations. – Stabilize supply chain volume and price by, among others, seeking temporary solutions for supply chain and seeking to sign a supply agreement.	Increase

Risk	Description	Internal control measures	Changes
Human resources	If the Group fails to recruit sufficient key professionals, such as management experts, project engineers, chef, etc., the normal operations or quality or the development of the Group may be affected.	– Maintain a healthy and positive working environment – Regular review on employee benefits – Conduct manpower planning to replenish sufficient staff as soon as possible	Increase
Exchange rate	The Group has assets and liabilities denominated in Hong Kong dollar and RMB, any fluctuation in the exchange rate may therefore cause loss from currency exchange to the Company.	– Risk of exchange rate will be monitored on a regular basis and relevant response measures will be formulated – Sensitive analysis will be conducted to quantify the risk	Decrease

CONSTITUTIONAL DOCUMENTS

The Board is not aware of any significant change in the constitutional documents of the Company during the year ended 31 December 2018. Memorandum and articles of association of the Company is available on both the websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and to put Forward Proposal

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the articles of association of the Company, general meetings shall be convened on the written requisition of any one or more members 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 secretary of the Company, 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 (2) months after the deposit of such requisition. If within twenty-one (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.

Corporate Governance Report

Procedures for Shareholders to Propose a Person for Election as a Director

Procedures for shareholders proposing a person for election as a Director are as follows:

A. in the event where no notice of general meeting regarding election of Director has been despatched

1. Shareholder(s) can by written requisition to the Board or the secretary of the Company to require an extraordinary general meeting be called by the Board for the transaction of any business specified in such requisition. To raise such requisition, the shareholder(s) must have held at the date of deposit of such requisition not less than one-tenth of the paid up capital of the Company carrying right to vote at general meetings of the Company (Memorandum of Association 58).

2. The meeting so requisitioned shall be held within two (2) months after the deposit of such requisition. If within twenty-one (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 (Memorandum of Association 58).

B. in the event where notice of meeting has already been despatched for a general meeting regarding election of Director

1. In order to propose the appointment of a new Director (other than a Director retiring at the already appointed general meeting who has been recommended by the Board to stand for re-election at such general meeting) at the already appointed meeting, a shareholder (other than the person to be proposed) shall sign a written notice (the "Shareholder Notice") for which such notice is given of his intention to propose such person for election (Memorandum of Association 85).

2. The proposed Director shall also sign a written notice (the "Director Notice", together with the Shareholder Notice, the "Notices") of his willingness to be elected (Memorandum of Association 85). The nominating shareholder or the proposed Director shall also provide particulars (as stipulated in Rule 17.50(2) of the GEM Listing Rules) of the proposed Director (Rule 17.46B of the GEM Listing Rules).

3. The Notices shall have been lodged at the registered office of the Company or at the head office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the already appointed general meeting and end no later than seven (7) days prior to the date of such already appointed general meeting (Memorandum of Association 85). If the Notices are received less than twelve (12) business days prior to the general meeting, the Company may need to consider the adjournment of such general meeting in order to allow the shareholders ten (10) business days to consider the proposal (Rule 17.46B of the GEM Listing Rules).

Procedures for Sending Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Environmental, Social and Governance Report

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after the annual report has been published.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates the shareholders on its latest business developments and financial performance through its quarterly, interim and annual reports and communicates with the shareholders through annual general meetings and extraordinary general meetings. In compliance with the requirements of the GEM Listing Rules, the Company issued regular reports, announcements, circulars and notice of general meetings. Always updated with latest information, the corporate website of the Company (http://www.8246hk.com) has provided an effective communication platform to the public and the shareholders.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "AGM") of the Company is expected to be held on 28 June 2019. A notice convening the AGM will be issued and dispatched to shareholders of the Company as soon as practicable in accordance with the articles of association of the Company and the CG Code.

Report of the Directors

The Board hereby presents its report and the audited financial statements of the Group for the Current Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in

(1) New energy business;

(2) Catering business; and

(3) Property investment.

RESULTS

The Group's profit for the financial year ended 31 December 2018 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 48 to 127.

DIVIDEND AND POLICY

We always put the interest of our shareholders in mind and have laid down a long-term dividend policy (the "Dividend Policy") that targets to propose to distribute dividend on a continuous basis, when the business conditions of the Company are satisfactory and our business is profitable, and subject to the conditions of this policy, so that our shareholders can share the fruitful success of our business as and when appropriate. Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. When considering dividend declaration or recommendation, the Board shall take into account various factors including but not limited to the Group's business condition and strategy, capital requirement; and earnings, financial and cash flow position, and distributable reserves of the Company and the Group.

The Board has recommended a final dividend of HK0.5 cents per ordinary share for the Current Year (Previous Year: Nil) to the shareholders. Subject to the approval of the shareholders at the forthcoming annual general meeting and subject to further disclosure as appropriate in respect of the book closure date, record date and payment date, the proposed 2018 final dividend is expected to be distributed to the shareholders on or before 15 August 2019. The proposed dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2018.

SEGMENT INFORMATION

Details of the segment information of the Group are set out in note 5 to the consolidated financial statements.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 57.6% (Previous Year: 71.4%) of the turnover of the Group and the largest customer of the Group accounted for about 19.5% (Previous Year: 22.5%) of the total turnover.

The five largest suppliers of the Group accounted for 49.8% (Previous Year: 49.8%) of the Group's total purchases for the Current Year and the largest supplier accounted for 27.3% (Previous Year: 17.5%) of the Group's total purchases.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of the movements in property, plant and equipment and investment property of the Group are set out in notes 14 and 15 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

RESERVES

Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2018 amounted to RMB369 million (2017: RMB269.0 million).

Movements in the reserves of the Group during the Current Year are set out in the consolidated statement of changes in equity on page 50.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 34 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the Current Year.

BANK BORROWINGS

The Group did not have any outstanding bank loans and other borrowings and no banking facilities as at 31 December 2018 (2017: Nil).

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2018 (2017: Nil).

Report of the Directors

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes are set out in note 26 to the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results of the Group for the past five financial years is set out on page 128 of the annual report.

DIRECTORS

The Directors during the financial year and up to the date of this report were as follows:

Executive Directors:

Mr. Hu Yishi *(Executive Chairman)*
Mr. Chan Wing Yuen, Hubert *(CEO)*
Ms. Lin Min, Mindy
Ms. Kwong Wai Man, Karina *(CFO)*

Independent non-executive Directors:

Mr. Lui Tin Nang
Ms. Ma Lee
Mr. Lau Kwok Kee

Pursuant to the article 83(3), being no Director appointed by the Board to fill casual vacancies, shall hold office only until the forthcoming AGM and be eligible for re-election at the forthcoming AGM.

According to the article 84(1), Mr. Lui Tin Nang and Ms. Ma Lee, all being independent non-executive Directors, and Ms. Lin Min, Mindy being executive Director will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors is entitled to a Director's fee, and is also entitled to a discretionary management bonus by reference to the consolidated net profits of the Group after taxation and non-controlling interest but before extraordinary items as the Remuneration Committee may approve, provide that the relevant executive Director shall abstain from voting and not counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him/her.

Two of the independent non-executive Directors have entered into a letter of appointment with the Company on 1 October 2014, will retire and will offer himself/herself for re-election at the forthcoming AGM and shall continue thereafter unless terminated by not less than one month's notice in writing. Each of the independent non-executive Director is entitled to a Director's fee.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 18 of the annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from all three existing independent non-executive Directors pursuant to the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this report.

EMOLUMENTS POLICY

All emoluments of the Directors are determined and approved by the Renumeration Committee with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each Director may also receive a year end bonus in respect of each financial year. The amount of such bonus will be determined by the Remuneration Committee.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out below in the section "Share option scheme".

Details of the emoluments of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 10 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme is valid and effective for a period of 10 years commencing on 12 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company has granted 28,000,000 share options to the Company's Directors, consultants and employees at the exercise price of HK$0.81 per option share (i.e. 224,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016). During the year 2017, the Company has granted 343,536,000 share options to the Company's Directors, consultants and employees at the exercise price of HK$0.289 per option share. As at 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 371,584,000 (31 December 2017: 396,016,000), representing 10.6% (31 December 2017: 11.3%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/lapsed during the review period and outstanding as at 31 December 2018 are as follows:

	At 1 January 2018	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year	Outstanding as at 31 December 2018	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors								
Mr. Hu Yishi	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	–	–	–	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	–	–	–	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lui Tin Nang	2,240,000	–	–	–	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28

	At 1 January 2018	Granted during the year	Exercised during the year	Forfeited/ Lapsed during the year	Outstanding as at 31 December 2018	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Ms. Ma Lee	2,240,000	–	–	–	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lau Kwok Kee	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	**145,544,000**	**–**	**–**	**–**	**145,544,000**			
Employees	3,200,000	–	–	–	3,200,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	54,208,000	–	–	(4,328,000)	49,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	54,208,000	–	–	(4,328,000)	49,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	54,208,000	–	–	(4,328,000)	49,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	**165,824,000**	**–**	**–**	**(12,984,000)**	**152,840,000**			
Consultants	28,216,000	–	(11,448,000)	–	16,768,000	9 June 2018 to 9 June 2024	0.289	0.28
	28,216,000	–	–	–	28,216,000	9 June 2019 to 9 June 2024	0.289	0.28
	28,216,000	–	–	–	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	**84,648,000**	**–**	**(11,448,000)**	**–**	**73,200,000**			
Total All Categories	**396,016,000**	**–**	**(11,448,000)**	**(12,984,000)**	**371,584,000**			
Exercisable at the end of the year					**151,216,000**			

* adjusted by share subdivision on 20 May 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary shares of HK$0.00125 each of the Company

Name of Director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Hu Yishi	1	Interest of controlled corporation	461,000,000	13.13%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.93%

Notes:

1. Mr. Hu Yishi is deemed to be interested in 448,000,000 shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Centry Investment Holdings Limited (the "Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu Yishi. Mr. Hu Yishi is also deemed to be interested in 13,000,000 shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.

2. Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 18,688,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin. Ms. Lin also interested in 22,400,000 shares which beneficial owned by herself.

Long position in the underlying shares of equity derivatives of the Company

Name of Director	Nature of Interest	Number of underlying shares (Note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	56,744,000
Mr. Lui Tin Nang	Beneficial owner	5,672,000
Ms. Ma Lee	Beneficial owner	5,672,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 49,280,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK$0.10125 per option share and 96,264,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK$0.289 per option share. The details of outstanding share options are shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 31 December 2018, none of the Directors or chief executives of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the Current Year, the Directors were not aware of any business or interest of the Directors, the management, shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DEED OF NON-COMPETITION

The deed of non-competition was no longer applied for both of the Current Year and Previous Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position – Ordinary shares and underlying shares

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited (Note 1)	Beneficial owner	640,000,000	–	18.23%
Mr. Song Zhi Cheng (Note 2)	Interest of controlled corporation	640,000,000	–	18.23%
Smart Lane Global Limited (Note 3)	Beneficial owner	448,000,000	–	12.76%
Uprise Global Investments Limited (Note 4)	Beneficial owner	448,000,000	–	12.76%
Blossom Merit Limited (Note 5)	Beneficial owner	221,632,000	–	6.31%
Mr. Chan Tai Neng (Note 6)	Interest of controlled corporation	221,632,000	–	6.31%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.
2. Mr. Song Zhi Cheng is deemed to be interested in 640,000,000 shares through his interest in Depot Up Limited.
3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu Yishi is executive Director and Executive Chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin Min, Mindy, and executive Director.
5. Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively.
6. Mr. Chan Tai Neng is deemed to be interested in 221,632,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung, (both being former executive Directors).

During the Current Year, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

Report of the Directors

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Current Year, all other transactions as set out in note 33 of the consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms and, if constituted connected transactions or continuing connected transactions, are exempt from the relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Current Year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

Principle corporate governance practices as adopted by the Company are set out in the CG report section set out on page 19 to 34.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of the annual report, the Company has maintained sufficient public float as required by the GEM Listing Rules since the listing of the shares of the Company on the GEM.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated.

AUDITOR

The financial statements of the Group for the year ended 31 December 2017 and 2018 have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Chan Wing Yuen Hubert
Chief Executive Officer

Hong Kong, 18 March 2019

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF ZHONGHUA GAS HOLDINGS LIMITED
(FORMERLY KNOWN AS NORTHERN NEW ENERGY HOLDINGS LIMITED
北方新能源控股有限公司)
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zhonghua Gas Holdings Limited (formerly known as Northern New Energy Holdings Limited 北方新能源控股有限公司) (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 48 to 127, which comprise the consolidated statement of financial position as at 31 December 2018, 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 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables from New Energy Business	
We identified the impairment of trade receivables from the New energy business as a key audit matter due to its significance to the consolidated financial statements and significant management judgment and estimates is involved in determining the appropriate level of loss allowance. Loss allowance for trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, gaining of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involved a significant degree of management judgment. As disclosed in note 19 to the consolidated financial statements, the carrying amount of the Group's trade receivables for the New energy business is RMB349,808,000, in which no loss allowance was required as at 31 December 2018.	Our procedures in relation to assessing the impairment of the trade receivables from the New energy business include: • Understanding how the recoverability of trade receivables is assessed by the management; • Understanding and assessing key controls which govern credit control, debt collection, estimate of expected credit losses and preparation of aging analysis of trade receivables; • Testing the aging analysis for trade receivables; on a sample basis, to the source documents; and • Assessing the reasonableness of management's loss allowance estimates by examining the information used by the management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there were an indication of management bias when recognising loss allowances.

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 IFRS standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. 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.

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, related safeguards.

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
18 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**371,256**	302,427
Cost of sales		**(186,045)**	(176,383)
Gross profit		**185,211**	126,044
Other income	6	**13,783**	695
Other gains and losses	7	**589**	(1,460)
Administrative expenses		**(51,280)**	(44,631)
Selling and distributions		**(4,497)**	(3,036)
Loss on liquidation of a subsidiary	8	**(115)**	–
Profit before tax	9	**143,691**	77,612
Income tax expense	11	**(46,951)**	(26,815)
Profit and total comprehensive income for the year		**96,740**	50,797
Profit and total comprehensive income attributable to:			
Owners of the Company		**82,889**	42,425
Non-controlling interests		**13,851**	8,372
		96,740	50,797
Earnings per share	13		
Basic		**RMB0.024**	RMB0.012
Diluted		**RMB0.023**	RMB0.012

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**80,650**	2,383
Investment properties	15	**9,910**	9,910
Rental deposits		**1,465**	790
Interest in an associate	16	**–**	–
Amount due from an associate	17	**–**	–
		92,025	13,083
Current assets			
Inventories	18	**3,459**	3,565
Trade and other receivables	19	**378,460**	373,829
Bank balances and cash	20	**206,007**	95,608
		587,926	473,002
Current liabilities			
Trade and other payables	21	**218,068**	155,667
Contract liabilities	22	**9,569**	–
Prepayment from customers	22	**–**	11,170
Amount due to a shareholder	23	**2,726**	2,739
Amount due to a director	23	**–**	422
Tax liabilities		**23,885**	21,426
		254,248	191,424
Net current assets		**333,678**	281,578
Net assets		**425,703**	294,661
Capital and reserves			
Share capital	24	**3,553**	3,540
Reserves		**365,700**	265,955
Equity attributable to owners of the Company		**369,253**	269,495
Non-controlling interests		**56,450**	25,166
Total equity		**425,703**	294,661

The consolidated financial statements on pages 48 to 127 were approved and authorised for issue by the Board of Directors on 18 March 2019 and are signed on its behalf by:

Mr. Hu Yishi
DIRECTOR

Mr. Chan Wing Yuen, Hubert
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Special reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	3,470	–	4,551	200,488	528	209,037	16,794	225,831
Profit and total comprehensive income for the year	–	–	–	42,425	–	42,425	8,372	50,797
Exercise of share options (note 25)	70	8,240	(2,643)	–	–	5,667	–	5,667
Recognition of equity-settled share based payments	–	–	12,366	–	–	12,366	–	12,366
At 31 December 2017	3,540	8,240	14,274	242,913	528	269,495	25,166	294,661
Profit and total comprehensive income for the year	–	–	–	82,889	–	82,889	13,851	96,740
Acquisition of assets and liabilities through acquisition of a non-wholly owned subsidiary (note 32)	–	–	–	–	–	–	17,433	17,433
Exercise of share options (note 25)	13	4,261	(1,340)	–	–	2,934	–	2,934
Forfeited of share options (note 25)	–	–	(990)	–	–	(990)	–	(990)
Recognition of equity-settled share based payments	–	–	14,925	–	–	14,925	–	14,925
At 31 December 2018	3,553	12,501	26,869	325,802	528	369,253	56,450	425,703

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**143,691**	77,612
Adjustments for:			
Depreciation of property, plant and equipment		**10,361**	2,481
Impairment loss recognised in respect of trade and other receivables		**–**	4
Impairment loss reversed in respect of trade and other receivables		**(2)**	(22)
Loss on disposal of property, plant and equipment		**–**	53
Gain on fair value changes of investment properties		**–**	(802)
Loss on liquidation of a subsidiary		**115**	–
Equity settled share-based expenses		**13,935**	12,366
Impairment loss recognised (reversed) in respect of inventories		**25**	(675)
Rental deposit forfeited		**(55)**	(72)
Interest income		**(671)**	(143)
Operating cash flows before movements in working capital		**167,399**	90,802
(Increase) decrease in rental deposits		**(620)**	786
Decrease in inventories		**69**	6
Decrease (increase) in trade and other receivables		**5,261**	(148,218)
Increase in trade and other payables		**61,230**	90,508
Decrease in prepayment from customers		**–**	(1,220)
Decrease in contract liabilities		**(1,601)**	–
Cash generated from operations		**231,738**	32,664
Income tax paid		**(44,492)**	(42,429)
NET CASH GENERATE FROM/(USED IN) OPERATING ACTIVITIES		**187,246**	(9,765)
INVESTING ACTIVITIES			
Acquisition of assets and liabilities through acquisition of a non-wholly owned subsidiary	32	**(78,397)**	–
Purchase of property, plant and equipment		**(1,620)**	(960)
Interest received		**671**	143
Purchase of an investment property		**–**	(3,984)
Decrease in amount due from a related party		**–**	1,246
NET CASH USED IN INVESTING ACTIVITIES		**(79,346)**	(3,555)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES			
Proceeds from exercise of share options		**2,934**	5,667
(Repayment to) advance from a director		**(422)**	422
Repayment to a shareholder		**(13)**	(9)
NET CASH FROM FINANCING ACTIVITIES		**2,499**	6,080
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**110,399**	(7,240)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**95,608**	102,848
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**206,007**	95,608

1. GENERAL

Zhonghua Gas Holdings Limited (the "Company") (formerly known as Northern New Energy Holdings Limited) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries of the Company are engaged in the provision of diverse integrated new energy services including technological development, construction and consultancy services in relation to heat supply and coal-to-natural gas conversion, operation of liquefied natural gas ("LNG") stations, coupled with trading of new energy related industrial products ("New Energy Business"); the operation of restaurants and trading of non-staple food ("Catering Business") and the leasing of investment properties ("Property Investments"). Detail of the subsidiaries are set out in note 34.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

New and Amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to IFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") *(Continued)*

New and Amendments to IFRS Standards that are mandatorily effective for the current year *(Continued)*

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

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "*Revenue*", IAS 11 "*Construction Contracts*" and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "*Revenue*" and IAS 11 "*Construction Contracts*" and the related interpretations.

The Group recognises revenue from the following major source which arises from contracts with customers:

- trading of industrial products
- engineering consultancy services
- construction work
- sales of LNG
- operation of restaurants

Accounting policies resulting from application of IFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 15

As at 1 January 2018, prepayments from customers of RMB11,170,000 were reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") *(Continued)*

New and Amendments to IFRS Standards that are mandatorily effective for the current year *(Continued)*

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 "*Financial Instruments*", Amendments to IFRS 9 "*Prepayment Features with Negative Compensation*" and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of IFRS are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed individually for ECL based on the historical default rates of trade debtors taking into consideration forward looking information.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for amount due from an associate which is assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As the impact of application of IFRS 9 is immaterial, the adjustment is therefore not recognised against retained profits on 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS") *(Continued)*

New and amendments to IFRS Standards in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRS Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the Group's financial position and performance and/or on disclosures in foreseeable future.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Standards") *(Continued)*

IFRS 16 "Leases" *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB39,273,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the Group currently considers refundable rental deposits paid of RMB2,731,000 and refundable rental deposits received of RMB126,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 14 determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS Standards") *(Continued)*

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

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRS Standards and will be mandatorily effective of the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Except as described above, the Directors of the Company anticipate the application of the other new and amendments to IFRS Standards will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which is measured at 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.

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 IFRS 2 "Share-based Payments", leasing transactions that are within the scope of IAS 17 *"Leases"*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *"Inventories"* or value in use in IAS 36 *"Impairment of Assets"*.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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 the results of the valuation technique equals the transaction price.

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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in an associate

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in an associate *(Continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes 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 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 associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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.

The Group assess whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, 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 and 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 IFRS 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.

Revenue from sales of industrial products and LNG

Revenue from sales of industrial products and LNG are recognised at a point in time, when control of the good and services underlying the performance obligation is transferred to the customer, i.e. when goods are delivered. The credit period granted to customers are 60 to 180 days.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(Continued)*

Revenue from engineering consultancy services and construction contracts

Revenue from energy-related engineering consultancy services and construction contracts is recognised when the engineering consultancy services and construction works are performed, certified and accepted by the customers. Deposits would be received upon signing the contracts with customers. The settlement period of the remaining consideration is generally within one to two years after the completion of engineering consultancy services and construction contracts, as appropriate.

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.

Revenue from restaurant operations

Revenue from restaurant operations including sales of non-staple food is recognised at a point in time when control of the good and services underlying the performance obligation is transferred to the customer, i.e. when goods are sold and services are provided. In general, there was no credit period for sales from the Catering Business, except for certain well-established corporate customers for which the credit terms are up to 90 days.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of value added taxes, and discounts and after eliminating sales within the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (prior to 1 January 2018)) *(Continued)*

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from restaurant operations is recognised when goods are sold and services are provided.

Revenue from sales of non-staple food recognised when the non-staple food are delivered.

Revenue from engineering consultancy services and construction contracts is recognised when underlying services are rendered. Revenue is recognised using the percentage of completion method. The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant lease.

Construction contracts (prior to 1 January 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less residual value 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. 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 the profit or loss in the period in which the property is derecognised.

Retirement benefit costs

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

Short-term and other long-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 IFRS 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.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each 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.

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.

Government grants that 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.

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 the 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.

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 liabilities or deferred tax assets 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.

Current and deferred tax are recognised into profit or loss, except when they relates 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 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 the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when the Group 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 IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, amount due from an associate and bank balances). 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, 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 credit loss experience, gaining of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current conditions at the reporting date as well as the forecast general economic conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

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, 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.

(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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (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;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (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 adjusted by 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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- 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 and other receivables and amount due from an associate where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. They are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables and amount due from an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables or amount due from an associate receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liability and equity

Classification as debt or equity

Debt and equity instruments 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

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 the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a shareholder and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

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.

Share-based payment transactions of the Company

Equity-settled share-based payment transactions

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 25.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions of the Company *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When 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 retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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.

The following are the key assumption concerning the future and other key sources of estimation uncertainty at the date of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on shared credit risk characteristics and the days past due as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL is disclosed in notes 19 and 29, respectively.

Income taxes

As at 31 December 2018, no deferred tax asset has been recognised on the tax losses of RMB71,227,000 (2017: RMB52,749,000) due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

5. REVENUE AND SEGMENT INFORMATION

For the years ended 31 December 2018 and 2017, the information reported to the operating decision maker, i.e. the executive Directors of the Company ("CODM"), for the purposes of resource allocation and performance assessment are as follows:

(i) **New Energy Business** – represented the gross revenue from the principal activities of the subsidiaries of the Company which engaged in the provision of diverse integrated new energy services including technological development, construction and consultancy services in relation to heat supply and coal-to-natural gas conversion, operation of LNG stations, coupled with trading of new energy related industrial products.

(ii) **Catering Business** – represented the gross revenue from the restaurants under the Group's own brand name "Noble House" located in Shanghai, the PRC, the management services rendered to restaurants owned by the independent third parties and restaurants of the Group and the gross revenue from the sales of non-staple food.

(iii) **Property Investments** – represented property rental income generated from investment properties located in Shanghai, the PRC.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from each type of business for the years ended 31 December 2018 and 2017 are as follows:

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2018 New energy business RMB'000	 Catering business RMB'000
Types of goods or services		
New Energy Business		
Trading of industrial products	**36,255**	**–**
Engineering consultancy services	**72,839**	**–**
Construction work	**164,214**	**–**
Trading of LNG	**54,239**	**–**
	327,547	**–**
Catering Business		
Operation of restaurants	**–**	**43,473**
Total	**327,547**	**43,473**

During the year ended 31 December 2018, the management of the Group considered the financial impact of the financing components related to the revenue from engineering consultancy services and construction works and considered that the amounts are insignificant and not recognised to the profit or loss.

B. For the years ended 31 December 2018 and 2017

	2018 **RMB'000**	2017 RMB'000
New Energy Business	**327,547**	256,484
Catering Business	**43,473**	45,594
Property Investments	**236**	349
	371,256	302,427

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information is presented below.

Year ended 31 December 2018

	New energy business RMB'000	Catering business RMB'000	Property investments RMB'000	Total RMB'000
REVENUE				
External sales	**327,547**	**43,473**	**236**	**371,256**
RESULT				
Segment result	**184,408**	**(3,755)**	**118**	**180,771**
Unallocated corporate expenses				**(37,114)**
Loss on liquidation of a subsidiary				**(115)**
Net foreign exchange gain				**149**
Profit before tax				**143,691**

Year ended 31 December 2017

	New energy business RMB'000	Catering business RMB'000	Property investments RMB'000	Total RMB'000
REVENUE				
External sales	256,484	45,594	349	302,427
RESULT				
Segment result	110,956	757	1,205	112,918
Unallocated corporate expenses				(33,122)
Net foreign exchange loss				(2,184)
Profit before tax				77,612

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2018

	New energy business RMB'000	Catering business RMB'000	Property investments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:					
Impairment loss reversed in respect of trade on other receivables	–	(2)	–	–	(2)
Depreciation of property, plant and equipment	9,567	424	–	370	10,361
Impairment loss recognised in respect of inventories	–	25	–	–	25
Interest income	(251)	(32)	–	(388)	(671)
Government subsidies	(13,035)	(20)	–	–	(13,055)

Year ended 31 December 2017

	New energy business RMB'000	Catering business RMB'000	Property investments RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:					
Impairment loss recognised in trade receivables	–	4	–	–	4
Impairment loss reversed in respect of trade and other receivables	–	(22)	–	–	(22)
Depreciation of property, plant and equipment	295	1,616	–	570	2,481
Loss on disposal of property, plant and equipment	–	–	–	53	53
Impairment loss reversed in respect of inventories	–	(675)	–	–	(675)
Interest income	(112)	(24)	(2)	(5)	(143)

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit generated by each segment without allocation of certain gains and losses, loss on liquidation of a subsidiary and the expenses incurred by the Group's head office. This is the measure reported to the executive Directors of the Company for the purpose of resource allocation and performance assessment.

As information on the Group's segment assets and liabilities are not regularly provided to the executive Directors of the Company, segment assets and liabilities are not presented.

Geographical information

The Group's operations are mainly located in the PRC. Information about the Group's revenue from external customers and all of its non-current assets (excluding financial assets) are presented based on the geographical locations of the customers and assets respectively.

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December			
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**371,256**	302,427	**91,314**	11,735
Hong Kong	**–**	–	**711**	1,348
	371,256	302,427	**92,025**	13,083

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Customer A (New Energy Business)	**72,340**	N/A[1]
Customer B (New Energy Business)	**55,621**	40,887
Customer C (New Energy Business)	**38,621**	N/A[1]
Customer D (New Energy Business)	**N/A[1]**	68,125
Customer E (New Energy Business)	**N/A[1]**	56,927

1 The corresponding revenue does not contribute over 10% of total revenue of the Group.

6. OTHER INCOME

	2018 **RMB'000**	2017 RMB'000
Government subsidies (note)	**13,055**	370
Interest income	**671**	143
Rental deposit forfeited	**55**	72
Others	**2**	110
	13,783	695

Note: During the year ended 31 December 2018, PRC subsidiaries received approximately RMB13,055,000, subsidies given by the PRC government for encouragement of its New Energy Business and Catering Business. During the year ended 31 December 2017, PRC subsidiary received approximately RMB370,000 subsidies given by the PRC government for encouragement of its Catering Business. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

7. OTHER GAINS AND LOSSES

	2018 **RMB'000**	2017 RMB'000
Net foreign exchange gain (loss)	**149**	(2,184)
Loss on disposal of property, plant and equipment	**–**	(53)
Impairment loss recognised in respect of trade and other receivables	**–**	(4)
Impairment loss reversed in respect of trade and other receivables	**2**	22
Gain on fair value change of investment properties (note 15)	**–**	802
Others	**438**	(43)
	589	(1,460)

8. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the year ended 31 December 2018, the Group liquidated Shanghai Yin Jia Food Products Co., Limited (上海銀佳食品有限公司), a wholly owned subsidiary of the Company, which engaged in food production services to the Group's restaurants and trading of seafood and supplemental food products. The liquidation was completed on 6 February 2018, and resulted in a loss on liquidation of RMB115,000.

The net assets of the liquidated subsidiary at the dates of liquidation were as follows:

	RMB'000
Analysis of assets and liabilities liquidated:	
Inventories	12
Trade and other receivables	103
Loss on liquidation of a subsidiary	115

9. PROFIT BEFORE TAX

	2018 RMB'000	2017 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' and chief executive's emoluments (note 10)	**11,817**	11,268
Salaries and other allowances	**18,856**	17,053
Retirement benefit scheme contributions, excluding those of Directors	**3,288**	2,874
Equity-settled share based payments, excluding those of Directors	**9,611**	8,776
Total staff costs	**43,572**	39,971
Less: included in cost of sales	**(12,053)**	(10,875)
	31,519	29,096
Auditors' remuneration	**1,478**	1,350
Depreciation of property, plant and equipment	**10,361**	2,481
Less: included in cost of sales	**(9,647)**	(1,092)
	714	1,389
Cost of inventories recognise as an expense	**117,540**	128,239
Impairment loss recognised (reversed) in respect of inventories	**25**	(675)

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

Directors

Details of the emoluments paid by the Group to the Directors of the Company were as follows:

2018

Name of directors	Directors' fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors					
Mr. Hu Yishi	169	2,201	15	388	2,773
Mr. Chan Wing Yuen, Hubert	169	880	59	1,543	2,651
Ms. Lin Min, Mindy	169	2,201	15	388	2,773
Ms. Kwong Wai Man, Karina	169	880	59	1,543	2,651
Independent Non-executive Directors					
Mr. Lui Tin Nang	169	–	–	154	323
Ms. Ma Lee	169	–	–	154	323
Mr. Lau Kwok Kee	169	–	–	154	323
Total	1,183	6,162	148	4,324	11,817

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

Directors *(Continued)*

2017

Name of directors	Directors' fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive Directors					
Mr. Hu Yishi	173	2,257	16	322	2,768
Mr. Chan Wing Yuen, Hubert	173	903	61	1,281	2,418
Ms. Lin Min, Mindy	173	2,257	16	322	2,768
Ms. Kwong Wai Man, Karina	173	903	61	1,281	2,418
Independent Non-executive Directors					
Mr. Lui Tin Nang	173	–	–	128	301
Ms. Ma Lee	173	–	–	128	301
Mr. Lau Kwok Kee (appointed on 8 June 2017)	96	–	–	128	224
Mr. Wang Zhi Zhong (resigned on 8 June 2017)	70	–	–	–	70
Total	1,204	6,320	154	3,590	11,268

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 independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

There were no arrangement under which a Director waived or agreed to waive any remuneration during the year.

Certain Directors were granted new share options in respect of their services to the Group under the share option scheme of the Company on 9 June 2017. Details of the share option scheme are set out in note 25 to the Group's consolidated financial statements.

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

Employees

Of the five highest paid individuals of the Group, the number of directors and employees were as follows:

	2018	2017
Directors	**4**	4
Employees	**1**	1
	5	5

The remuneration of the four (2017: four) directors of the Company are set out above. The emoluments of the remaining one (2017: one) highest paid individual was as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other allowances	**1,210**	1,128
Retirement benefit scheme contributions	**76**	56
	1,286	1,184

The emoluments of the remaining individual were within in the following band:

	2018	2017
HK$1,000,001 to HK$1,500,000	**1**	1

No emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2018 and 2017.

11. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Enterprise income tax in the PRC		
Current tax	**46,617**	28,614
Under (over) provision in prior years	**334**	(1,799)
	46,951	26,815

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax has been made as the Group's subsidiaries which operating in Hong Kong have incurred tax losses in both years.

PRC

PRC subsidiaries located in, Shanghai and Tianjin are subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for both years.

A subsidiary operating in PRC was fulfilled "Small and Low-profit Enterprises" defined by Enterprise Income Tax Law of the People's Republic of China, and was registered with the local tax authority to be eligible to the reduced enterprise income tax rate of 20%.

11. INCOME TAX EXPENSE *(Continued)*

PRC *(Continued)*

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**143,691**	77,612
Tax at EIT rate (25%)	**35,923**	19,403
Tax effect of expenses not deductible for tax purpose	**462**	102
Tax effect of income not taxable for tax purpose	**(228)**	(539)
Effect of tax concessions granted to the subsidiary	**(51)**	(4)
Tax effect of tax losses not recognised	**7,216**	6,245
Tax effect of temporary difference not recognised	**18**	269
Under (over) provision in prior years	**334**	(1,799)
Effect of different tax rates of subsidiaries operations in Hong Kong	**3,277**	3,001
Others	**–**	137
Tax charge for the year	**46,951**	26,815

At the end of the reporting period, the Group has unused tax losses of RMB71,227,000 (2017: RMB52,749,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of nil (2017: RMB10,386,000 expired in 2018) RMB11,832,000 (2017: RMB11,831,000) will expire in 2019, RMB10,751,000 (2017: RMB10,751,000) will expire in 2020, RMB2,475,000 (2017: RMB2,475,000) will expire in 2021, RMB3,158,000 (2017: RMB3,158,000) will expire in 2022 and RMB3,983,000 will expire in 2023. The remaining unused tax losses can be carried indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries of RMB235,433,000 (2017: RMB231,844,000) as at 31 December 2018 as 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.

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK0.5 cents (Previous Year: Nil) per ordinary share, in an aggregate amount of HK$17,555,000 (equivalent to RMB15,382,000) (Previous Year: Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. 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:

	2018	2017
	RMB'000	RMB'000
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**82,889**	42,425

The weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2018	2017
	'000	'000
Weighted average number of shares used in the calculation of basic earnings per share	**3,499,551**	3,451,213
Shares deemed to be issued in respect of:		
– Share options	**43,455**	74,557
Weighted average number of shares used in the calculation of diluted earnings per share	**3,543,006**	3,525,770

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2017	7,930	–	3,924	4,867	16,721
Additions	408	–	552	–	960
Disposals	(1,092)	–	(91)	–	(1,183)
At 31 December 2017 and 1 January 2018	7,246	–	4,385	4,867	16,498
Additions	1,503	–	117	–	1,620
Acquisition of assets and liabilities through acquisition of a non-wholly owned subsidiary (note 32)	–	87,008	–	–	87,008
At 31 December 2018	8,749	87,008	4,502	4,867	105,126
DEPRECIATION					
At 1 January 2017	6,320	–	2,672	3,772	12,764
Provided for the year	1,721	–	408	352	2,481
Disposals	(1,083)	–	(47)	–	(1,130)
At 31 December 2017 and 1 January 2018	6,958	–	3,033	4,124	14,115
Provided for the year	478	9,472	270	141	10,361
At 31 December 2018	7,436	9,472	3,303	4,265	24,476
CARRYING VALUES					
At 31 December 2018	1,313	77,536	1,199	602	80,650
At 31 December 2017	288	–	1,352	743	2,383

The property, plant and equipment, are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvement	The shorter of the period of the respective leases or 5 years
Machinery and equipment	12%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

15. INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
AT FAIR VALUE		
At beginning of the year	**9,910**	5,124
Additions	**–**	3,984
Gain on fair value change on investment properties	**–**	802
At end of the year	**9,910**	9,910

The Group's investment properties are situated in the PRC and held under medium lease.

The Group's properties interest held under operating leases to earn rentals or for capital appreciation purposes are unmeasured using the fair value model and are classified and accounted for as investment properties.

Fair value measurements and valuation processes

In determining the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The fair value of the Group's investment properties as at 31 December 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on that date by Messrs Avista Valuation Advisory Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on the income approach, by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with the allowance for the reversionary income potential of the leases, which has been then capitalised to determine the market value at an appropriate capitalisation rate.

In estimating the fair value of the properties, the highest and best use of the properties are their current use.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value measurements and valuation processes *(Continued)*

The following table gives information about how the fair value of the 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 (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Commercial properties unit located in PRC	Level 3	Income approach		
		The key inputs are		
		(1) Average monthly rental	Average monthly rental, taking into account the rentals achieved in the lettable units of the property as well as other lettings of similar properties in the neighbourhood. In the 31 December 2018 valuation, average monthly rental of RMB6.2 (2017: RMB6.2) per square meter is used.	A slight increase in the monthly rental used would result in significant increase in fair value measurement of the investment property, and vice versa.
		(2) Discount rate	Discount rate, taking into accounts the sales transactions of similar commercial properties in the PRC and the market expectation from property investors. In the 31 December 2018 valuation, discount rate approximate to 5% (2017: 5%) is used.	A slight increase in discount rate used would result in significant decrease in fair value measurement to the investment property, and vice versa.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value measurements and valuation processes *(Continued)*

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018 and 31 December 2017 are as follows:

	Level 3 RMB'000	Fair value RMB'000
Commercial properties unit located in the PRC		
At 31 December 2018	9,910	9,910
At 31 December 2017	9,910	9,910

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

16. INTEREST IN AN ASSOCIATE

	2018 & 2017 RMB'000
Cost of unlisted investment in an associate	400
Deemed capital contribution (note)	1,705
Share of post-acquisition losses	(2,105)
	–

As at 31 December 2018 and 2017, the Group had interest in the following associate:

Name of associate	Form of entity	Place of establishment and operation	Attributable interest in registered capital held by the Group 31 December 2018	2017	Proportion of voting rights held by the Group 31 December 2018	2017	Principal activities
Dong Hai Noble House Food and Beverage Co., Ltd. ("Dong Hai Noble House")	Limited liability	PRC	**40%**	40%	**40%**	40%	Dormant

Note: Deemed capital contribution represents the imputed interest on interest-free loans to an associate.

16. INTEREST IN AN ASSOCIATE *(Continued)*

The summarised financial information in respect of the Group's associate is set out below and were prepared in accordance with IFRSs.

The Group's associate is accounted for using the equity method in these consolidated financial statements.

Dong Hai Noble House

	2018 & 2017
	RMB'000
Current assets	525
Non-current assets	2,690
Current liabilities	(21,587)
Net liabilities	(18,372)
Net liabilities attributable to the Group	(7,349)

	Year ended 31.12.2018	Year ended 31.12.2017
	RMB'000	RMB'000
Revenue	**–**	–
Results for the year attributable to owner of the associate	**–**	–
Group's share of loss	**–**	–

16. INTEREST IN AN ASSOCIATE *(Continued)*

Dong Hai Noble House *(Continued)*

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

	2018 & 2017 RMB'000
Net liabilities	(18,372)
Proportion of the Group's ownership interest in Dong Hai Noble House	40%
The Group's interest in Dong Hai Noble House	(7,349)
Deemed capital contribution	1,705
Unrecognised share of loss	5,644
Carrying amount of the Group's interest in Dong Hai Noble House	–

	Year ended 31.12.2018 RMB'000	Year ended 31.12.2017 RMB'000
The unrecognised share of loss of an associate for the year	**–**	–
Cumulative unrecognised share of loss of an associate	**5,644**	5,644

17. AMOUNT DUE FROM AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Dong Hai Noble House – non-trade (non-current) (note (a))	**7,370**	7,370
Less: Impairment loss recognised (note (b))	**(7,370)**	(7,370)
	–	–

Notes:

(a) As at 31 December 2018 and 2017, the amount represents advances to finance the operations of Dong Hai Noble House and is interest free and has no fixed repayment terms. Management of the Group considered the amount will not be settled within the next twelve months, and thus classified it as non-current asset.

(b) In prior years, as the result of Dong Hai Noble House did not meet management's expectation, the directors of the Company reassessed the timing and estimates of the cash flows from the repayment of the advance to the associate and discounted them at the original effective interest rate of the advance, full impairment loss was made in respect of the outstanding balances. No repayment of advance to an associate was made during the year ended 31 December 2018 and 2017 and no reversal is made for both years as it is considered not recoverable in the foreseeable future.

Details of impairment assessment of amount due from an associate for the year ended 31 December 2018 are set out in note 29.

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Food and beverages	**2,821**	3,076
Consumables	**638**	489
	3,459	3,565

19. TRADE AND OTHER RECEIVABLES

Generally, there was no credit period for sales from the Catering Business, except for certain well established corporate customers for which the credit terms are up to 90 days.

For the engineering consultancy services and construction works (included in New Energy Business), the settlement period according to the contract term is generally within one to two years after the completion of energy-related system design, consultancy, engineering and construction work.

For the trading of industrial products and LNG (included in New Energy Business), the credit period granted to customers are 60 to 180 days.

The aged analysis of the Group's trade receivables for the engineering consultancy services and construction work, net of allowances, based on invoice dates at the end of the reporting period, which approximately the respective contract completion date, is as follows:

	2018 **RMB'000**	2017 RMB'000
Trade receivables for engineering consultancy services and construction work (included in New Energy Business):		
0 – 180 days	**95,813**	149,684
181 – 270 days	**96,318**	–
271 days – 1 year	**56,717**	131,800
Over 1 year but within 2 years	**–**	10,298
	248,848	291,782
Within settlement period	**227,523**	149,684
Past due	**21,325**	142,098
	248,848	291,782

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The aged analysis of the Group's trade receivable for trading of industrial products, trading of LNG and the Catering Business, net of allowances, based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2018 RMB'000	2017 RMB'000
Trade receivables for trading of industrial products and trading of LNG (included in New Energy Business)		
0 – 60 days	**100,587**	57,355
61 – 180 days	**–**	1,991
Over 180 days	**373**	768
	100,960	60,114
Trade receivables for Catering business:		
0 – 30 days	**979**	482
31 – 60 days	**157**	264
61 – 90 days	**90**	12
91 – 120 days	**3**	14
121 – 150 days	**2**	6
151 – 180 days	**14**	35
Over 180 days	**310**	1,126
	1,555	1,939
Total trade receivables	**351,363**	353,835
Other receivables and deposits:		
Prepayments to suppliers	**7,758**	14,825
Prepayments for operating expenses	**997**	1,243
Value-added tax for purchases	**8,308**	202
Other receivables and deposits	**4,818**	3,793
Loan receivable (note)	**5,285**	–
Less: allowance for doubtful debts for other receivables	**(69)**	(69)
	27,097	19,994
	378,460	373,829

Note: The loan receivable is made to an independent third party which is unsecured, interest bearing at 12% per annum and repayable in one year at the date of loan withdrew.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,181,000 for Catering Business and RMB156,011,000 for New Energy Business respectively for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Included in the Group's trade receivable balances is the following past due debts for which the Group has not provided for impairment loss:

Ageing of trade receivables for Catering Business which are past due but not impaired

	2017 RMB'000
91 – 120 days	14
121 – 150 days	6
151 – 180 days	35
Over 180 days	1,126
	1,181

Ageing of trade receivables for New Energy Business which are past due but not impaired

	2017 RMB'000
0 – 30 days	11,154
31 – 60 days	63,406
61 – 90 days	15,000
121 – 150 days	1,985
Over 180 days	64,466
	156,011

19. TRADE AND OTHER RECEIVABLES *(Continued)*

Movement in the loss for trade receivables

	2017 RMB'000
At 1 January	22
Impairment losses recognised	4
Reversal of impairment losses recognised	–
At 31 December	26

As at 31 December 2017, included in the loss allowance are individually impaired trade receivables with an aggregate balance of approximately RMB26,000 of which the debtors were in financial difficulties.

Movement in the loss allowance for other receivables

	2017 RMB'000
At 1 January	91
Reversal of impairment loss recognised	(22)
At 31 December	69

As at 31 December 2017, included in the loss allowance are individually impaired other receivables with an aggregate carrying amount of RMB69,000 which was not settled before the due date and considered as uncollectable.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 29.

20. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and a short-term bank deposit with original maturity of three months or less. The bank balances carry interest rates as follows:

	2018	2017
Range of interest rate per annum	**0.13% – 1.10%**	0.01% – 0.35%

20. BANK BALANCES AND CASH *(Continued)*

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2018 **RMB'000**	2017 RMB'000
HKD	**4,009**	28,199
USD	**1,033**	1,291

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank balances for the year ended 31 December 2018 are set out in note 29.

21. TRADE AND OTHER PAYABLES

The credit period for trade purchases of the Catering Business is 30 to 60 days.

For the New Energy Business, the settlement period is stated in according to contract terms.

Ageing analysis of the Group's trade payables based on invoice date is as follows:

	2018 **RMB'000**	2017 RMB'000
Trade payables:		
0 – 30 days (note)	**150,673**	103,026
31 – 60 days	**1,040**	14,536
61 – 90 days	**430**	1,763
91 – 180 days	**3,440**	3,997
Over 180 days	**47,410**	19,829
	202,993	143,151
Other payables:		
Accruals	**2,852**	1,891
Other payables	**7,450**	4,916
Employee benefits payable	**332**	1,446
Other taxes payable	**4,441**	4,263
	15,075	12,516
	218,068	155,667

Note: Included in the amount represents trade payables of RMB82,588,000 (2017: RMB88,763,000) from the New Energy Business, which are not yet due at period end and are within the settlement period according to the contract terms, which is generally within one year after the completion of engineering and construction works related to New Energy Business.

22. CONTRACT LIABILITIES/PREPAYMENT FROM CUSTOMERS

	31.12.2018 **RMB'000**	1.1.2018* RMB'000
Restaurants voucher cards	**9,569**	11,170

* The amount in this column is after the adjustments from the application of IFRS 15.

The Group receives prepayment from customers for its restaurants operation in the PRC and the restaurants voucher cards are non-refundable, have no expiration and can be utilised anytime at customers' discretion.

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

	Operation of restaurants RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	2,707

23. AMOUNT(S) DUE TO A SHAREHOLDER/A DIRECTOR

	2018 **RMB'000**	2017 RMB'000
Amount due to a shareholder	**2,726**	2,739
Amount due to a director	**–**	422

The amount due to a shareholder is denominated in HKD, unsecured, non-interest bearing and repayable on demand.

The amount due to a director was denominated in RMB, unsecured, non-interest bearing and the amount was fully repaid by the Group during the year ended 31 December 2018.

24. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018		
– Ordinary shares of HK$0.00125 each	64,000,000	80,000
Issued and fully paid:		
At 1 January 2017	3,433,280	4,292
Exercise of share options (note 25)	66,240	83
At 31 December 2017 and 1 January 2018	3,499,520	4,375
Exercise of share options (note 25)	11,448	14
At 31 December 2018		
– Ordinary shares of HK$0.00125 each	3,510,968	4,389

	2018 **RMB'000**	2017 RMB'000
Shown on the consolidated statement of financial position	**3,553**	3,540

During the year ended 31 December 2018, an aggregate of 11,448,000 (2017: 66,240,000) new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.289 granted on 9 June 2017 (2017: HK$0.10125 granted on 25 November 2014). The gross proceeds from the exercise of share options are approximately HK$3,308,000 (equivalent to RMB2,934,000) (2017: HK$6,706,800 (equivalent to RMB5,667,000)).

25. SHARE-BASED PAYMENTS TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The board of directors of the Company may grant options to directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. The 10% limit may be refreshed at any time by approval of the Company’s shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as “refreshed” must not exceed 10% of the shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. The share option scheme is valid and effective for a period of 10 years commencing on 30 December 2011 and may continue to be exercisable in accordance with their terms of issue.

The Scheme has become effective on 12 December 2011.

On 25 November 2014, the Company has granted 28,000,000 share options to the Company's Directors, consultants and employees at the exercise price of HK$0.81 per option share (i.e. 224,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016). On 20 May 2016, the exercise price of the outstanding Options was adjusted from HK$0.81 per Share to HK$0.10125 per Subdivided Share. On 9 June 2017, the Company has granted 343,536,000 share options to the Company's Directors, consultants and employees at the exercise price of HK$0.289 per option share. On 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was adjusted to 371,584,000 (31 December 2017: 396,016,000), representing 10.6% (31 December 2017: 11.3%) of the shares of the Company in issue at that date.

25. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
Option to directors				
Option A	25/11/2014	25/11/2014-24/11/2021	HK$0.10125*	HK$0.0501*
Option C (note 1)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1262
Option D (note 2)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1273
Option E (note 3)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1287
Option to consultants (note 4)				
Option F (note 1)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1320
Option G (note 2)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1320
Option H (note 3)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1320
Option to employees				
Option B	25/11/2014	25/11/2014-24/11/2021	HK$0.10125*	HK$0.0455*
Option I (note 1)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1117
Option J (note 2)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1170
Option K (note 3)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1219

Notes:

1. Option shares vested upon the first anniversary of the date of granted, being 9 June 2018, which shall be exercisable immediately until expiry of the period from 9 June 2018 to 9 June 2024 (both dates inclusive).

2. Option shares will be vested upon the second anniversary of the date of granted, being 9 June 2019, which shall be exercisable immediately until expiry of the period from 9 June 2019 to 9 June 2024 (both dates inclusive).

3. Option shares will be vested upon the third anniversary of the date of granted, being 9 June 2020, which shall be exercisable immediately until expiry of the period from 9 June 2020 to 9 June 2024 (both dates inclusive).

4. Option shares granted to consultants are measured at fair value of the equity instruments at the grant date, same as those options granted to employees. The Directors of the Company considered these consultants are worked as employees of the Group in rendering services in the Group.

* Adjusted by share subdivision on 20 May 2016.

25. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The following table discloses movement of the Company's share options during the years ended 31 December 2018 and 2017:

Option type	1.1.2017	Granted	Exercised	Outstanding at 31.12.2017 and 1.1.2018	Granted	Exercised	Forfeited	Outstanding at 31.12.2018
	'000	'000	'000	'000	'000	'000	'000	'000
Option A	73,920	–	(24,640)	49,280	–	–	–	49,280
Option B	44,800	–	(41,600)	3,200	–	–	–	3,200
Option C	–	32,088	–	32,088	–	–	–	32,088
Option D	–	32,088	–	32,088	–	–	–	32,088
Option E	–	32,088	–	32,088	–	–	–	32,088
Option F	–	28,216	–	28,216	–	(11,448)	–	16,768
Option G	–	28,216	–	28,216	–	–	–	28,216
Option H	–	28,216	–	28,216	–	–	–	28,216
Option I	–	54,208	–	54,208	–	–	(4,328)	49,880
Option J	–	54,208	–	54,208	–	–	(4,328)	49,880
Option K	–	54,208	–	54,208	–	–	(4,328)	49,880
	118,720	343,536	(66,240)	396,016	–	(11,448)	(12,984)	371,584
Exercisable at the end of the year 2018								151,216
Weighted average exercise price (HK$)	0.10125	0.289	0.10125	0.26412	–	0.289	0.289	0.291

In respective of the share options exercised during the year, the weighted average share price at date of exercise is HK$0.3000 (2017: HK$0.2392).

25. SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

The estimated fair values of the options granted on 9 June 2017 at the date of grant was approximately HK$42,444,000 (equivalent to RMB36,838,000). These fair values were calculated using the binomial option pricing model.

The inputs into the model were as follows:

Share price	HK$0.280
Exercise price	HK$0.289
Expected life	7 years
Expected volatility	46.38%
Dividend yield	0%
Risk-free interest rate	1.04%

Expected volatility was determined based on the average of historical share price volatilities of the Company and a set of selected comparable companies, which were the annualised standard deviation of daily return of the Company's share price as reported by Bloomberg. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised an expense of HK$16,793,000 (equivalent to RMB13,935,000) in relation to share options granted by the Company for the year ended 31 December 2018 (31 December 2017: HK$14,443,000 (equivalent to RMB12,366,000)).

26. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000). Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents for the entire pension obligations payable to retired employees. The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2018 in respect of the retirement of its employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries in the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2018 in respect of the retirement of its employees.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 **RMB'000**	2017 RMB'000
Minimum lease payments paid under operating lease commitment in respect of premise for the year	**14,587**	13,601

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented offices and premises for operations of restaurants under non-cancellable operating leases which fall due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**19,766**	12,223
In the second to fifth year inclusive	**18,897**	4,488
Over five years	**610**	–
	39,273	16,711

The leases are generally negotiated for a lease term from 2 to 10 years (2017: 2 to 10 years).

The Group as lessor

The property held have committed tenants to the maximum of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due:

	2018 **RMB'000**	2017 RMB'000
Within one year	**505**	523
In the second to fifth year inclusive	**318**	250
	823	773

28. 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 remained unchanged from the prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure periodically. The management of the Group also balances the overall capital structure of the Group through the payment of dividends, new share issues. No changes were made in the objectives, policies or processes from the prior year.

29. FINANCIAL INSTRUMENTS

29a. Categories of financial instruments

	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**567,404**	–
Loans and receivables (including cash and cash equivalents)	**–**	453,369
Financial liabilities		
Amortised cost	**213,501**	152,674

29b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a shareholder and amount due to a director. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has no external borrowings and maintained bank balances mainly in HKD by a group entity with functional currency denominated in RMB, which exposes the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

As at 31 December 2018, the carrying amounts of the Group's foreign currency denominated monetary assets mainly represented bank balances and cash denominated in HKD and USD and loan receivable denominated in HKD.

As at 31 December 2017, the carrying amount of the Group’s foreign currency denominated monetary assets mainly represented bank balances and cash denominated in HKD and USD.

	2018 **RMB’000**	2017 RMB’000
Assets		
HKD	**4,009**	28,199
USD	**1,033**	1,291

Sensitivity analysis

A 5% sensitivity rate is used represents management's assessment of the reasonably possible change in foreign exchange rates against RMB rate. On the basis of the above assets denominated in HKD and USD at the respective reporting dates, and assuming all other variables remain unchanged, a 5% weakening of the HKD and USD against RMB would give rise to an exchange loss and a decrease in post-tax profit for the year in the following magnitude, and vice versa:

	2018 **RMB’000**	2017 RMB’000
HKD	**(200)**	(1,410)
USD	**(52)**	(65)

If a 5% strengthening of the HKD and USD against RMB would give rise to an exchange gain and an increase in post-tax profit for the year in the same amount but in opposite direction as above.

Other than HKD and USD, the Group does not have any other major exposure to foreign currency risk.

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. No sensitivity analyses been prepared as the management considers that such exposure for variable-rate bank deposits is limited.

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new corporate customers, the Group assessed the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on the balances of trade receivables individually.

Loan receivable

The directors of the Company has assessed the financial position of the debtors as well as 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 of the loan receivable. Accordingly, the loss allowance for the loan receivable is measured at an amount equal to 12m ECL.

Other receivables and deposits

The Group has taken into account the financial position of the counterparties, based on the track record of regular settlements, the amounts are expected to be recoverable and the expected credit losses on other receivables are considered to be insignificant.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group does not have any other significant concentration of credit risk.

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month 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

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. 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, which are subject to ECL assessment:

2018	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	19	N/A	Note	Lifetime ECL (provision matrix)	351,363
Loan receivable	19	N/A	Low risk	12-month ECL	5,285
Other receivables and deposits	19	N/A	Low risk	12-month ECL	4,818
Amount due from an associate	17	N/A	Loss	Credit-impaired	7,370
Bank balances	20	AAA	N/A	12-month ECL	206,007

Note:

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables have been assessed individually based on the Group's historical default rates taking into consideration forward looking information that is reasonable and supportable without undue costs or effort. The Group determines the expected credit losses on trade receivables by using internal credit rating.

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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.

As at 31 December 2018, the Group provided no impairment allowance for trade receivables, which are assessed individually for New Energy Business under ECL model as the amount is not material. Impairment allowance of RMB24,000 was made on credit-impaired debtors.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit– impaired) RMB'000
As at 31 December 2017 under IAS 39 1 January 2018 upon application of IFRS 9 and 31 December 2018	69

The following tables show reconciliation of loss allowances that has been recognised for amount due from an associate.

	Lifetime ECL (credit– impaired) RMB'000
As at 31 December 2017 under IAS 39, 1 January 2018 upon application of IFRS 9 and 31 December 2018	7,370

29. FINANCIAL INSTRUMENTS *(Continued)*

29b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of cash and cash equivalents, as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Liquidity table

	Repayable on demand RMB'000	**Less than 3 months RMB'000**	**Total undiscounted cash flow RMB'000**	**Total carrying value at 31.12.2018 RMB'000**
2018				
Trade and other payables	**–**	**210,775**	**210,775**	**210,775**
Amount due to a shareholder	**2,726**	**–**	**2,726**	**2,726**
	2,726	**210,775**	**213,501**	**213,501**

	Repayable on demand RMB'000	Less than 3 months RMB'000	Total undiscounted cash flow RMB'000	Total carrying value at 31.12.2017 RMB'000
2017				
Trade and other payables	–	149,513	149,513	149,513
Amount due to a shareholder	2,739	–	2,739	2,739
Amount due to a director	422	–	422	422
	3,161	149,513	152,674	152,674

29c. Fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

30. LITIGATION

In relation to the contractual dispute between Noble House Management Company and Dong Hai Noble House as disclosed in the announcement of the Company dated 29 July 2016, in which Dong Hai Noble House alleged that from January 2012 to September 2015, its operation loss was RMB14.66 million, and that Noble House Management Company failed to compensate such loss to Dong Hai Noble House in accordance with the terms and conditions of a management agreement.

According to the first instance judgment made by the The People's Court of Yinzhou District, Ningbo, Zhejiang (寧波市鄞州區人民法院) on 12 December 2017, Dong Hai Noble House's litigation claims were rejected. However, the Intermediate People's Court of Ningbo City (寧波市中級人民法院) was of the view that the facts were unclear, the case was therefore remanded to the Yinzhou People's Court for retrial. As advised by the PRC legal adviser, it is believed that there would not be significant impact on the Group's operations or financial positions as a result of the retrial and no provision is considered necessary. Further, in December 2018, Noble House Management Company filed a compulsory dissolution lawsuit against Dong Hai Noble House. As at the date of this report, the proceedings are still on-going and no judgment or court order has been made.

31. 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.

	As at 1 January 2018 RMB'000	**Financing cash flow RMB'000**	**As at 31 December 2018 RMB'000**
Amount due to a shareholder (Note 23)	**2,739**	**(13)**	**2,726**
Amount due to a director (Note 23)	**422**	**(422)**	**–**
	3,161	**(435)**	**2,726**

	As at 1 January 2017 RMB'000	Financing cash flow RMB'000	As at 31 December 2017 RMB'000
Amount due to a shareholder (Note 23)	2,748	(9)	2,739
Amount due to a director (Note 23)	–	422	422
	2,748	413	3,161

32. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A NON-WHOLLY OWNED SUBSIDIARY

On 7 February 2018, the Group acquired certain assets and liabilities through acquisition of 81.8% equity interest in 天津津熱天然氣銷售有限公司 ("Tianjin Jin Re Natural Gas Sales Company Limited") for a cash consideration of RMB78,400,000 (equivalent to approximately HK$94,394,000) from independent third parties. Tianjin Jin Re Natural Gas Sales Company Limited is permitted to engage in sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; development of new energy technology; leasing and commercial services industry; installation of electric and mechanical equipment; and centralized urban heat supply service.

Details of the net assets acquired in the transaction are as below:

	RMB'000
Property, plant and equipment	87,008
Other receivables	9,993
Bank balances and cash	3
Other payables	(1,171)
Net assets	95,833
Less: non-controlling interests	(17,433)
Total cash consideration	78,400

	RMB'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	78,400
Less: bank balances and cash acquired	(3)
	78,397

33. RELATED PARTY DISCLOSURES

(I) Transactions

During the year, the Group entered into the following transactions with a related party:

Name of related party	Nature of transaction	2018 RMB'000	2017 RMB'000
上海龐迪商貿有限公司 (note)	Purchase of inventories	–	419

Note: 上海龐迪商貿有限公司is a company controlled by the former director of the Company's subsidiary (resigned on 18 August 2018).

(II) Balances

Details of balances with related parties are set out in the consolidated statement of financial position and in notes 17 and 23, respectively.

(III) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, their compensation during the year is set out in note 10. The remuneration of the directors and key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

A. General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place and date of incorporation/ establishment	Principal place of operation	Equity interest attributable to the Group 2018	Equity interest attributable to the Group 2017	Proportion of voting power held by the Company 2018	Proportion of voting power held by the Company 2017	Share capital/ registered and paid-up capital	Principal activities
Directly owned								
富品有限公司 Wealth Grade Limited	BVI 8 August 2011	BVI	**100%**	100%	**100%**	100%	US$1	Investment holding
耀海控股有限公司 Radiant Sea Holdings Limited	Samoa 19 August 2014	Samoa	**100%**	100%	**100%**	100%	US$1	Investment holding
誠富投資有限公司 Chengfu Investments Limited	Samoa 8 August 2014	Samoa	**100%**	100%	**100%**	100%	US$1	Investment holding
萃譽控股有限公司 Brilliant Noble Holdings Limited	Samoa 1 August 2014	Samoa	**100%**	100%	**100%**	100%	US$1	Investment holding
超寶有限公司 Treasure Beyond Limited	Republic of Seychelles 5 May 2016	Republic of Seychelles	**100%**	100%	**100%**	100%	US$1	Investment holding
御域有限公司 Noble Basin Limited	Republic of Seychelles 8 June 2016	Hong Kong	**100%**	100%	**100%**	100%	US$1	Investment holding
富能有限公司 Rich Mighty Limited	Republic of Seychelles 24 June 2016	Hong Kong	**100%**	100%	**100%**	100%	US$1	Investment holding
慧寶有限公司 Wisdom Gem Limited (Note 2)	Republic of Seychelles 20 April 2018	Hong Kong	**100%**	N/A	**100%**	N/A	US$1	Investment holding
譽凡國際有限公司 Glory Superb International Limited (Note 2)	BVI 10 July 2018	Hong Kong	**100%**	N/A	**100%**	N/A	US$1	Investment holding
Indirectly owned								
百德(中國)有限公司 Million Merit (China) Limited	Hong Kong 1 February 2007	Hong Kong	**100%**	100%	**100%**	100%	HKD600,000	Investment holding
上海名軒樓餐飲管理有限公司 Shanghai Noble House Food Service Management Co., Ltd. (Note 3)	PRC 22 December 2003	PRC	**100%**	100%	**100%**	100%	US$2,000,000	Management service
上海老房子餐飲管理有限公司 Shanghai Lao Fang Zi Food and Beverage Co., Ltd (Note 3)	PRC 29 August 2002	PRC	**100%**	100%	**100%**	100%	RMB1,000,000	Operating restaurant
上海銀佳食品有限公司 Shanghai Yin Jia Food Products Co., Ltd. (Note 1 and 3)	PRC 19 January 2009	PRC	**100%**	100%	**100%**	100%	RMB300,000	Food processing
上海尊軒實業有限公司 Shanghai Zun Xuan Enterprise Limited (Note 3)	PRC 31 October 2014	PRC	**100%**	100%	**100%**	100%	RMB100,000	Food trading
上海盈愷投資管理有限公司 Shanghai Ying Kai Investment Management Limited (Note 3)	PRC 6 July 2015	PRC	**100%**	100%	**100%**	100%	RMB9,077,028	Property investment
上海富愷商務諮詢有限公司 (Note 3)	PRC 13 July 2017	PRC	**100%**	100%	**100%**	100%	US$150,000	Investment holding
華夏北方新能源科技發展(天津)有限公司 Hua Xia Northern New Energy Technology Development (Tianjin) Limited	PRC 8 September 2015	PRC	**90%**	90%	**90%**	90%	RMB18,000,000	New energy development, research on its related technologic and construction business

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

A. General information of subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Principal place of operation	Equity interest attributable to the Group 2018	Equity interest attributable to the Group 2017	Proportion of voting power held by the Company 2018	Proportion of voting power held by the Company 2017	Share capital/ registered and paid-up capital	Principal activities
華夏北方科技發展(天津)有限公司 Hua Xia Northern Technology Development (Tianjin) Limited	PRC 30 November 2016	PRC	**89.9%**	89.9%	**89.9%**	89.9%	RMB45,000,000	New energy development, research on its related technologic and construction business
天津津熱天然氣銷售有限公司 Tianjin Jin Re Natural Gas Sales Company Limited	PRC 15 October 2015	PRC	**81.8%**	N/A	**81.8%**	–	RMB20,000,000	LNG supplying
華夏北方能源科技發展(天津)有限公司 Hua Xia Northern Energy Technology Development (Tianjin) Limited	PRC 21 June 2018	PRC	**89.9%**	N/A	**89.9%**	–	RMB20,000,000	New energy development, research on its related technologic and construction business
北方新能源管理有限公司 Northern New Energy Management Limited	Hong Kong 8 July 2015	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
冠能集團有限公司 Crown Glory Holdings Limited	Hong Kong 18 August 2014	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Money lending
恰大有限公司 Total Joy Corporation Limited	Hong Kong 8 July 2014	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Providing administrative services to the group
冠悦管理有限公司 Crown Joy Management Limited (formerly known as Easy 2 Finance Limited)	Hong Kong 18 August 2014	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
盈凱有限公司 Abundant Victory Limited	Republic of Seychelles 3 February 2015	Republic of Seychelles	**100%**	100%	**100%**	100%	US$1	Investment holding
寶順發展有限公司 Treasure Trend Development Limited	Hong Kong 23 January 2015	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
鋭力投資有限公司 Sharp Power Investments Limited	Republic of Seychelles 22 January 2015	Hong Kong	**100%**	100%	**100%**	100%	US$1	Investment holding
鋭力管理有限公司 Sharp Power Management Limited	Hong Kong 18 April 2012	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
北方新能源發展有限公司 Northern New Energy Development Limited	Hong Kong 22 June 2015	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
冠保集團有限公司 Crown Ace Holdings Limited	Hong Kong 13 July 2015	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
順盈管理有限公司 Easy Gain Management Limited	Hong Kong 16 May 2016	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Investment holding
中華燃氣（香港）有限公司 Zhonghua Gas (Hong Kong) Limited (Note 2)	Hong Kong 11 June 2018	Hong Kong	**100%**	N/A	**100%**	N/A	HK$1	Not yet commence business
中華燃氣發展有限公司 Zhonghua Gas Development Limited (Note 2)	Hong Kong 17 August 2018	Hong Kong	**100%**	N/A	**100%**	N/A	HK$1	Not yet commence business

Notes:

1. The subsidiary was liquidated in 2018.
2. There subsidiaries were newly acquired/established in 2018.
3. These subsidiaries established in the PRC are wholly foreign owned enterprise.

None of subsidiaries had issued any debt securities at the end of the year.

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

B. 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 establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
華夏北方新能源科技發展(天津)有限公司 Hua Xia Northern New Energy Technology Development (Tianjin) Limited	PRC	**10%**	10%	**(14)**	(233)	**6,762**	6,776
華夏北方科技發展(天津)有限公司 Hua Xia Northern Technology Development (Tianjin) Limited	PRC	**10.1%**	10.1%	**10,918**	8,605	**29,308**	18,390
天津津熱天然氣銷售有限公司 Tianjin Jin Re Natural Gas Sales Company Limited	PRC	**18.2%**	N/A	**(84)**	N/A	**17,349**	N/A
華夏北方能源科技發展(天津)有限公司 Hua Xia Northern Energy Technology Development (Tianjin) Limited	PRC	**10.1%**	N/A	**3,031**	N/A	**3,031**	N/A
				13,851	8,372	**56,450**	25,166

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

B. Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect 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.

華夏北方新能源科技發展(天津)有限公司

	2018 RMB'000	2017 RMB'000
Current assets	**75,036**	73,340
Non-current assets	**9**	36
Current liabilities	**(7,429)**	(5,621)
Total equity	**67,616**	67,755
Equity attributable to owners of the Company	**60,854**	60,979
Non-controlling interests	**6,762**	6,776

	2018 RMB'000	2017 RMB'000
Revenue	**9,918**	–
Expenses	**(10,057)**	(2,331)
Loss for the year	**(139)**	(2,331)
Loss and total comprehensive expense attributable to owners of the Company	**(125)**	(2,098)
Loss and total comprehensive expense attributable to the non-controlling interests	**(14)**	(233)
Loss and total comprehensive expense for the year	**(139)**	(2,331)
Net cash inflow from operating activities	**10,164**	18,954
Net cash inflow from investing activities	**–**	29,700
Net cash inflow from financing activities	**3,600**	–
Net cash inflow	**13,764**	48,654

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

B. Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

華夏北方科技發展(天津)有限公司

	2018 RMB'000	2017 RMB'000
Current assets	**402,166**	343,824
Non-current assets	**78,531**	175
Current liabilities	**(190,527)**	(161,910)
Total equity	**290,170**	182,089
Equity attributable to owners of the Company	**260,862**	163,699
Non-controlling interests	**29,308**	18,390

	2018 RMB'000	2017 RMB'000
Revenue	**209,909**	256,484
Expenses	**(101,829)**	(171,280)
Profit for the year	**108,080**	85,204
Profit and total comprehensive income attributable to owners of the Company	**97,162**	76,599
Profit and total comprehensive income attributable to the non-controlling interests	**10,918**	8,605
Profit and total comprehensive income for the year	**108,080**	85,204
Net cash inflow (outflow) from operating activities	**235,046**	(10,672)
Net cash outflow from investing activities	**(78,400)**	(175)
Net cash outflow from financing activities	**(34,600)**	(29,700)
Net cash inflow (outflow)	**122,046**	(40,547)

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

B. Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

天津津熱天然氣銷售有限公司

	2018 RMB'000
Current assets	71,010
Non-current assets	77,547
Current liabilities	(53,233)
Total equity	95,324
Equity attributable to owners of the Company	77,975
Non-controlling interests	17,349

	2018 RMB'000
Revenue	60,757
Expenses	(61,215)
Loss for the year	(458)
Loss and total comprehensive expense attributable to owners of the Company	(374)
Loss and total comprehensive expense attributable to the non-controlling interests	(84)
Loss and total comprehensive expense for the year	(458)
Net cash outflow from operating activities	(28,692)
Net cash outflow from investing activities	(696)
Net cash inflow from financing activities	30,000
Net cash inflow	612

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

B. Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

華夏北方能源科技發展(天津)有限公司

	2018 RMB'000
Current assets	**35,904**
Non-current assets	**3**
Current liabilities	**(5,900)**
Total equity	**30,007**
Equity attributable to owners of the Company	**26,976**
Non-controlling interests	**3,031**

	2018 RMB'000
Revenue	**46,963**
Expenses	**(16,955)**
Profit for the period	**30,008**
Profit and total comprehensive income attributable to owners of the Company	**26,977**
Profit and total comprehensive income attributable to the non-controlling interests	**3,031**
Profit and total comprehensive income for the period	**30,008**
Net cash inflow from operating activities	**3,218**
Net cash outflow from investing activities	**(3)**
Net cash inflow from financing activities	**1,000**
Net cash inflow	**4,215**

35 INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Investments in subsidiaries	**316**	316
Current assets		
Prepayment	**307**	268
Amounts due from subsidiaries	**105,904**	107,328
	106,211	107,596
Current liabilities		
Other payables	**1,780**	1,271
Net current assets	**104,431**	106,325
Net assets	**104,747**	106,641
Capital and reserves		
Share capital (note 24)	**3,553**	3,540
Reserves (note 36)	**101,194**	103,101
Total equity	**104,747**	106,641

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. In the opinion of the directors of the Company, the amounts are expected to be settled within one year.

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 18 March 2019 and are signed on its behalf by:

Mr. Hu Yishi	**Mr. Chan Wing Yuen, Hubert**
DIRECTOR	*DIRECTOR*

36. RESERVES OF THE COMPANY

	Share premium RMB'000	Special reserve RMB'000 (note)	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	–	316	4,551	97,158	102,025
Loss and total comprehensive expense for the year	–	–	–	(16,887)	(16,887)
Exercise of share options	8,240	–	(2,643)	–	5,597
Recognition of equity-settled share based payments	–	–	12,366	–	12,366
At 31 December 2017 and 1 January 2018	**8,240**	**316**	**14,274**	**80,271**	**103,101**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(18,763)**	**(18,763)**
Exercise of share options	**4,261**	**–**	**(1,340)**	**–**	**2,921**
Forfeited of share options	**–**	**–**	**(990)**	**–**	**(990)**
Recognition of equity-settled share based payments	**–**	**–**	**14,925**	**–**	**14,925**
At 31 December 2018	**12,501**	**316**	**26,869**	**61,508**	**101,194**

Note: Special reserve represents the difference between the equity of subsidiary recognised and the nominal amount of the Company's shares issued in exchange thereof pursuant to the Reorganisation in 2011.

Summary of Financial Information

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	74,810	162,508	372,291	302,427	**371,256**
Profit (loss) before taxation	(34,050)	32,479	147,090	77,612	**143,691**
Taxation	–	(11,147)	(40,353)	(26,815)	**(46,951)**
Profit (loss) for the year	(34,050)	21,332	106,737	50,797	**96,740**

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	72,551	211,369	343,168	486,085	**679,951**
Total liabilities	(47,905)	(93,692)	(117,337)	(191,424)	**(254,248)**
Net assets	24,646	117,677	225,831	294,661	**425,703**

A summary of the Group's result for the five financial years and the assets and liabilities of the Group as at 31 December 2018, 2017, 2016, 2015 and 2014 as extracted from the published audited financial statements for the year ended 31 December 2018, 2017, 2016, 2015 and 2014, is set out above. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

Particular of Investment Property

Location	**Type**	**Tenure**	**Attributable interest of the Group**
Unit 609, Jing An China Tower, 1701 Beijing West Road, Shanghai, the PRC	Commercial	Medium-term lease	100%
Unit 1604, Jing An China Tower, 1701 Beijing West Road, Shanghai, the PRC	Commercial	Medium-term lease	100%