Zhonghua Gas Holdings Limited

中華燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

08246.HK

2019 Annual Report

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

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

This report, for which the directors (the "Directors") of Zhonghua Gas Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading; or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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

Ms. Ma Lee
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Company Secretary

Ms. Chan Wai Yee

Compliance Officer

Mr. Chan Wing Yuen, Hubert

Board Committees

Audit Committee

Ms. Ma Lee *(Chairlady)*
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Remuneration Committee

Ms. Ma Lee *(Chairlady)*
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Nomination Committee

Ms. Ma Lee *(Chairlady)*
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Authorised Representatives

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

Registered Office

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

Principal Place of Business in Hong Kong

23/F,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square,
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
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 2019.

In the past financial year, the Group recorded a steady growth in our overall revenue, substantially contributed by the new energy business, from the liquefied natural gas ("LNG") supply.

From the day we began our business transformation into the new energy business, we have been committed to realizing our development plans step by step. With our aggressive business goals, coupled with our prudent execution plans, we successfully transformed the group to be engaged in new energy related consultancy projects while growing to provide technological development and consultancy services, sell and purchase new energy related industrial products, operate LNG stations as well as supply LNG. As we continue to move along the journey, our management team has undoubtedly dedicated concerted efforts to capturing the enormous growth potentials and focusing on expanding our new energy market and ultimately to build it into a leading diversified and integrated new energy service provider in the Greater China Region.

All these years, we significantly broadened our income sources, enhanced our business scopes of the new energy business and tactically built on the expanded scope of services to reach out to an extensive customer base. Notwithstanding the competitions, we were able to foster a long-term relationship with a diverse range of business partners, suppliers and customers. These achievements did not come easy. Nevertheless, we will still remain eager to look for more collaboration opportunities in all areas in the new energy industry to drive our business performance further.

Last but not least, without all of our united efforts, we would not have been able to make such a satisfactory progress into the new energy market like now. Despite the unfavorable market environment brought by the Novel Coronavirus Disease in the PRC in recent months, we believe with the direction of national policies related to our businesses remain unchanged, hopefully the negative impact on our business will be limited and short-term only. Yet, we will still stay highly alert to any market changes while placing our shareholders' interest in the foremost priority as always. In the long run, we will continue to strive to stand in the market as a leading integrated and diversified new energy operator in the Greater China Region.

On behalf of the Group, I would like to sincerely thank the Board and all of our staff members for their hard work and dedication during the year. I would also like to take this chance to express my heartfelt gratitude to our business partners, clients and shareholders for their trust and continuous support. Despite of the challenges ahead, by focusing on our core business, I trust that the Group will be able to keep its performance on the right track!

Hu Yishi
Executive Chairman

Hong Kong, 30 March 2020

Principal Activities

The principal activities of the Group are provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with trading of new energy related industrial products ("New Energy Business") and leasing of investment properties (the "Property Investment").

Financial Highlights

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 (the "Current Year"), together with the audited comparative figures for the previous year ended 31 December 2018 (the "Previous Year") as follows:

	2019		2018		Increase/ (decrease)
	RMB'000	**HKD'000#**	RMB'000	HKD'000*	
From continuing operations					
Revenue	**344,766**	**384,862**	321,265	366,660	7.3%
Gross profit[a]	**117,232**	**130,866**	172,299	196,645	(32.0%)
Profit and total comprehensive income for the year	**53,740**	**59,990**	100,633	114,852	(46.6%)
Profit and total comprehensive income attributable to owners of the Company	**44,120**	**49,251**	86,782	99,044	(49.2%)
EBIT	**85,704**	**95,671**	147,549	168,398	(41.9%)
EBITDA	**96,441**	**107,657**	157,486	179,739	(38.8%)
Earnings per share					
Basic	**RMB0.012**	**HK$0.013**	RMB0.025	HK$0.029	(52.0%)
Diluted	**RMB0.012**	**HK$0.013**	RMB0.025	HK$0.029	(52.0%)
From continuing and discontinued operations					
Revenue	**359,683**	**401,514**	364,738	416,275	(1.4%)
Gross profit[a]	**119,941**	**133,890**	178,694	203,943	(32.9%)
Profit and total comprehensive income for the year	**53,841**	**60,103**	96,740	110,409	(44.3%)
Profit and total comprehensive income attributable to owners of the Company	**44,221**	**49,364**	82,889	94,601	(46.7%)
EBIT	**85,810**	**95,790**	143,691	163,995	(40.3%)
EBITDA	**96,670**	**107,913**	154,052	175,820	(37.2%)
Earnings per share					
Basic	**RMB0.013**	**HK$0.015**	RMB0.024	HK$0.027	(45.8%)
Diluted	**RMB0.012**	**HK$0.013**	RMB0.023	HK$0.026	(47.8%)
Dividend	**Nil**	**Nil**	RMB0.44 cents	HK$0.50 cents	N/A

Financial Highlights

	As at 31.12.2019		As at 31.12.2018		Increase/ (decrease)
	RMB'000	**HKD'000#**	RMB'000	HKD'000*	
Total assets	**618,694**	**690,648**	679,951	776,028	(9.0%)
Net assets	**486,462**	**543,038**	425,703	485,855	14.3%
Bank balances and cash	**19,607**	**21,887**	206,007	235,116	(90.5%)
Equity attributable to owners of the Company	**422,092**	**471,181**	369,253	421,428	14.3%

Key Financial Indicators	**2019**	2018
From continuing operations		
Gross profit margin[b]	**34.0%**	53.6%
Net profit margin[c]	**15.6%**	31.3%
Return on average equity[d]	**11.2%**	27.2%
From continuing and discontinued operations		
Gross profit margin[b]	**33.3%**	49.0%
Net profit margin[c]	**15.0%**	26.5%
Return on average equity[d]	**11.2%**	26.0%
Current ratio (times)[e]	**4.1**	2.3
Net gearing ratio[f]	**N/A**	0.6%

Notes:

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

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

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

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

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

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

\# Converted to HK$ at exchange rate of RMB = HK$1.1163 on 31 December 2019 for reference.

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

Management Discussion and Analysis

DIVIDEND

The Board did not recommend the payment of any dividend for the Current Year (Previous Year: HK$0.5 cents per ordinary share). A final dividend in respect of the year ended 31 December 2018 of HK$0.5 cents per ordinary share, in an aggregate amount of HK$17.7 million (equivalent to RMB15.5 million), has been approved by the shareholders of the Company at the annual general meeting of the Company held on 28 June 2019. The final dividend was paid on 15 August 2019.

BUSINESS REVIEW

During the Current Year, the Group continued to strengthen and expand its current New Energy Business. Through diversifying its business profile to broaden income streams, the Group drove a steady revenue growth in the New Energy Business.

For the Current Year, the Group recorded a 7.3% year-on-year increase in revenue from RMB321.3 million in the Previous Year to RMB344.8 million. The New Energy Business contributed over 99.9% to the Group's total revenue in the Current Year. However, gross profit margin dropped from 53.6% to 34.0% for the Current Year since the growth in the revenue of LNG supply, which has lower gross profit margin than that of the construction related and consultancy works, dragged the overall performance of the Group; net profit after tax also recorded a significant decrease of 46.6% comparing to that of the Previous Year.

The reasons for the drop in the net profit were that during the outbreak of COVID-19, all offices in Tianjin have been closed temporarily. Under prudent approach, the Group made an expected credit losses provision for the trade receivables at RMB9.4 million (Previous Year: Nil). In addition, the government subsidy paid to the Group has been reduced from approximately RMB13.0 million for the Previous Year to approximately RMB5.7 million for the Current Year.

New Energy Business

During the Current Year, the Group focused on the expansion of the New Energy Business in terms of strengthening LNG supply during the heat supply period. The Group has been placing great emphasis in the enhancement of sales platforms and capabilities through subsidiaries and acquisitions in an aim to extend its market coverage in the new energy industry.

Revenue from the New Energy Business was mainly driven by the LNG supply and new energy related consultancy services. The Group continued to obtain and complete a number of construction related consultancy projects including coal-to-gas constructions, outdoor pipeline network and heat supply planning. The Group's subsidiary for the supply of LNG and related business also brought in stable income to the Group. Meanwhile, the rental and management fees from LNG storage tanks, coupled with trading of new energy related industrial products are other income sources for the Group.

Management Discussion and Analysis

The Group has been seeking new partnership in different regions, aiming to adopt a win-win strategy through co-exploring the LNG markets and securing stable LNG supplies with an extended and strong supply chain. Our well-established relationship with Tractebel Engineering S.A. ("Tractebel") from France and Tianjin Jinre Heat-Supply Group Co. Ltd ("Jinre Group") continued to fortify a solid cooperation in areas of technological and infrastructure related business. After Tianjin Jin Re Natural Gas Sales Company Limited ("TJR") became our subsidiary, our business portfolio has been enriched and it brought extra income for the Group through a broader range of business such as the sale of natural gas; gas pipeline engineering; installation and maintenance of gas transmission equipment, etc. TJR currently has two LNG stations in prime areas of Tianjin and one of them is the largest LNG storage tank in Tianjin.

While the Group managed to maintain its strong relationships with existing partners, it also successfully secured collaboration with new partners. In October 2019, the Group signed a Memorandum of Understanding ("MOU") with Shanghai Jiulian Group (the "Jiulian Group") in areas of LNG. Both parties formed a 60:40 Joint Venture ("JV") to co-explore end users market in Yangtze. This cooperation enabled the Group to expand the scope of its LNG business, and secure the supply of LNG resources, and expand its business to the high potential market in the Yangtze River Delta region. The JV will be principally engaged in sale of LNG, engineering of LNG pipeline, sale, installation, maintenance of LNG delivery equipment, technology development, consulting and transfer of heating system, technology development of new energy, etc. Jiulian Group is a wholly owned subsidiary of Shenergy (Group) Co., Ltd. (the "Shenergy Group") which is a Top 500 enterprises in the People's Republic of China ("PRC") and a member company of State-owned Assets Supervision and Administration Commission of Shanghai ("Shanghai SASAC"). Shenergy Group is an investor and contractor for Shanghai's major energy infrastructure as well as supplier for major energy including electricity and gas. In 2018, the scale of its LNG operation reached 9 billion cubic meters, accounting for more than 90% of the market share in Shanghai.

Others

The Group has wholly disposed of the Catering Business operations. All the wholly-owned subsidiaries engaged in management service, restaurant operation and food trading were ended. The financial results of the Catering Business were included in discontinued operation in 2019. For further details, please refer to the announcement of the Company dated 30 April 2019.

Property Investment

The Group owns two office premises on Beijing Road West, Jing An District, Shanghai. The two premises continue to be on medium term lease and generated stable rental income for the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Continuing Operations

Revenue

For the Current Year, revenue of the Group amounted to RMB 344.8 million, representing an increase of 7.3% from RMB321.3 million for the Previous Year. The increase was mainly attributable to the increase in revenue of RMB23.2 million from New Energy Business during the Current Year.

Cost of sales

	2019	2018	Increase
	RMB'000	RMB'000	
New Energy Business	**227,534**	148,966	52.7%
Property Investment	**–**	–	–
Group total	**227,534**	148,966	52.7%

The cost of sales of New Energy Business increased to RMB227.5 million as compared to RMB149.0 million in the Previous Year. The increase was mainly attributable to the growth in LNG supplies during the Current Year as compared to the Previous Year.

Gross profit margin

	2019	2018
	%	%
		(Restated)
New Energy Business	**33.9%**	53.6%
Property Investment	**100.0%**	100.0%
Group total	**34.0%**	53.6%

Gross profit margin of the New Energy Business segment decreased from 53.6% to 33.9% for the Current Year, mainly due to the growth in LNG supply with lower gross profit margin compared with the construction related and consultancy works. The growth in LNG supplies boosted the overall revenue but lower the gross profit margin of the New Energy Business segment in the Current Year. The gross profit margin of the Property Investment segment was 100% (Previous Year: 100%).

Management Discussion and Analysis

Other gains and losses

Other gains of RMB0.3 million were recorded in the Current Year compared to other gain of RMB0.1 million in the Previous Year, mainly due to increase of the net foreign exchange gain in the Current Year.

Administrative expenses

Administrative expenses decreased by 9.0% from RMB45.1 million for the Previous Year to RMB41.1 million for the Current Year. The decrease was owing to a reduction in the amortized cost of share-based payment expenses in the Current Year in connection with the grant of share options in June 2017.

Income tax expense

Income tax expense was RMB32.0 million (Previous Year: RMB46.9 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin.

Discontinued Operations

On 30 April 2019, the Group completed the disposal of its Catering Business through the disposal of certain subsidiaries (the "Disposal Group") to an independent third party at a cash consideration of RMB2.0 million. The buyer repaid the amount due from the Disposal Group to the Group of RMB0.4 million out of the consideration. A gain on the disposal was recorded RMB1.8 million. During the Current Year, the Disposal Group generated a total profit of RMB0.1 million as compare of total loss of RMB3.9 million in the Previous Year.

Non-controlling interests

Non-controlling interests decreased by 30.5% from RMB13.9 million for the Previous Year to RMB9.6 million for the Current Year, mainly due to the decrease 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 decreased by 46.7% from RMB82.9 million for the Previous Year to RMB44.2 million for the Current Year. The decrease was mainly caused by (i) the increase in the revenue of LNG supply which has low gross profit margin lowered the overall performance of the Group; (ii) an expected credit losses ("ECL") provision for its trade receivable at RMB9.4 million was made by the Group; and (iii) a decrease in government subsidy by RMB7.3 million in the Current Year. The basic and diluted earnings per share for the Current Year was RMB1.3 cents and RMB1.2 cents respectively, as compared to RMB2.4 cents and RMB2.3 cents in the Previous Year.

Management Discussion and Analysis

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 recorded increase in revenue of 7.2% from RMB321.0 million for the Previous Year to RMB344.3 million for the Current Year. The revenue from this business segment accounted for 99.9% of the Group's total revenue (Previous Year: 99.9%).

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

District	2019 Revenue RMB million	2018 Revenue RMB million
Beichen (北辰區)	**153.0**	65.8
Xiqing (西青區)	**140.3**	203.7
Jinghai (靜海區)	**51.0**	16.8
Hi-Tech Industrial Development area (高新區)	**–**	15.5
Heping (和平區)	**–**	7.3
Hangu (漢沽區)	**–**	7.2
Hexi (河西區)	**–**	2.8
Baodi (寶坻區)	**–**	1.9
	344.3	321.0

The revenue from the New Energy Business for Current Year mainly contributed by the supply of LNG and the construction related consultancy projects completed by the Group including the outdoor pipeline network and engineering projects, coal-to-gas constructions and heat supply planning, as well as trading of industrial products in Tianjin.

Property Investment

The Group owns two office premises on Beijing Road West, JingAn District, Shanghai. The properties were being held for investment purpose and it generated rental income and segmental profit of RMB0.5 million and RMB0.5 million respectively in the Current Year (Previous Year: RMB0.2 million and RMB0.1 million respectively). The premises were vacant during the second quarter of 2018 and therefore recorded a slight increase in rental income with no vacant period for the Current Year. The investment properties were expected to bring stable long-term rental income to the Group.

Management Discussion and Analysis

PROSPECTS

Despite the steady performance of our New Energy Business in the past year, we will take a prudent business approach in near term to prepare for the impact of the COVID-19 outbreak. The Group will keep a close watch on the changing market landscape and take decisive actions to minimize any adverse effects on the business via implementing timely measures and deploying flexible plans.

On the other hand, the Group will cautiously execute strategic plans to enrich its business scopes and take steps to gradually grow the scale of the LNG supply business. It is the Group's primary goal to further develop and expand the LNG business, the main revenue driver of the Group. We will continue to closely collaborate with different industry players and secure contracts in possible areas of LNG supply.

Furthermore, the Group will broaden the source of revenue via actively identifying suitable opportunities to develop any existing and new construction related and consultancy business.

All in all, the Group's determination to become a leading diversified and integrated new energy service provider in the PRC remains unchanged. Having built a solid foothold in the Group's main base of business, Tianjin City, the Group believes it is a golden time to concentrate on extending our New Energy Business coverage to other major PRC cities, and forge partnerships for technology and infrastructure in the new energy sector and search for PRC and international LNG suppliers to enrich our product portfolio. We will remain committed to broadening our income streams to achieve sustainable profitability and securing the supply of LNG resources.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, bank balances and cash maintained by the Group were RMB19.6 million, representing a decrease of 90.5% from RMB206.0 million as at 31 December 2018, mainly due to the delay in receipt of trade receivable overdue. Trade and other receivables were RMB516.8 million, increased by 36.6% from RMB378.5 million as at 31 December 2018, which mainly represented the increase in trade receivables in LNG supply business.

Trade and other payables decreased from RMB218.1 million as at 31 December 2018 to RMB114.7 million, by 47.4%, mainly reflected the decrease in trade payables from the New Energy Business. Finance lease liabilities raised from right-of-use assets of office locations of RMB4.2 million compared with RMB0.0 million as at 31 December 2018 according to application of IFRS 16 as at 1 January 2019. The tax liability decreased from RMB23.9 million as at 31 December 2018 to RMB9.2 million, by 61.5%.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2019 were RMB536.4 million and RMB130.5 million (31 December 2018: RMB587.9 million and RMB254.2 million) respectively.

The Group had no bank borrowings as at 31 December 2019. The gearing ratio of the Group, measured as total debt to total equity, dropped to 0.0% as at 31 December 2019 (31 December 2018: 0.6%). The Group recorded net assets of RMB486.5 million as at 31 December 2019 compared with RMB425.7 million as at 31 December 2018. The increase was mainly due to the net profit recorded during the Current Year, increase in equity by the exercise of share options, recognition of equity-settled share based payment and net off the effect of dividend recognized as a distribution. During the Current Year, the Group financed its operations with the funds from its internal resources.

Management Discussion and Analysis

CAPITAL STRUCTURE

During the Current Year, an aggregate of 74,064,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK$0.289 and HK$0.10125 respectively. As at 31 December 2019, the Company had an aggregate of 3,585,032,000 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.

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

In November 2019, having considered the recent market environment and the overall economic conditions, the Company reallocated and changed the remaining net proceeds, being approximately HK$5,825,000 (equivalent to RMB5,124,000), from previously for potential investment opportunities to use it as general working capital of the Group. The remaining net proceeds have been fully utilized as at 31 December 2019.

Management Discussion and Analysis

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 dollar. The Group's cash and bank deposits were denominated some in RMB, while others were denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollar against RMB as the functional currency may have a financial impact to the Group. The Group managed its foreign exchange risks by performing regular review and monitoring the foreign exchange exposure. The Group managed its foreign exchange hedging arrangements when appropriate and necessary. During the Current Year, the Group did not use any financial instruments for hedging purpose (Previous Year: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, 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 notes 8B and 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.

PLEDGE OF ASSETS

As at 31 December 2019, the Group did not have any mortgage or charge over its assets.

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 31 December 2019, the Group has approximately 26 full time employees in the PRC and 17 staffs in Hong Kong. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business. The remuneration of the Group has maintained at competitive level with discretionary bonuses payable on a merit basis and in line with industrial practice. Apart from salary payments, other staff benefits provided by the Group includes mandatory provident fund, insurance schemes and performance related bonus.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hu Yishi ("Mr. Hu"), aged 44, 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, now known as Central Development 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 the companies.

Mr. Chan Wing Yuen, Hubert ("Mr. Chan"), aged 62, 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 Central Development Holdings Limited (previously known as Zhong Fa Zhan Holdings Limited) since November 2011, the issued shares of which are listed on the Stock Exchange (stock code: 475). 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 Ever China 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 44, 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 directorship positions within the other members of the Group.

Ms. Lin was previously an executive director of Sheng Yuan Holdings Limited (stock code: 851), the issued 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 50, 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, now known as Central Development 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 issued shares of all companies are listed on the Stock Exchange.

Ms. Kwong holds a bachelor degree in Business Administration from 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

Ms. Ma Lee ("Ms. Ma"), aged 55, is our independent non-executive Director. She joined our Group in October 2014 and is the chairlady in each of the Audit Committee, the Remuneration Committee and the 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 Jintai Energy Holdings Limited) (stock code: 2728), the issued shares of 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.

Biographical Details of Directors and Senior Management

Mr. Lau Kwok Kee ("Mr. Lau"), aged 60, 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 for over 30 years. He is currently a consultant with Messrs. Hau, Lau, Li and Yeung, a firm of solicitors and notaries in Hong Kong. He is also a director of Synergy Fund Management Group Limited, a licensed corporation with the SFC, and Onmay Consulting Limited, a Trust and Company Secretary Provider in Hong Kong.

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 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 and a Diploma in Chinese Law from the University of East Asia Macau.

Ms. Qin Xuwen ("Ms. Qin"), aged 58, is our independent non-executive Director. She joined our Group in December 2019 and is the member in each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Ms. Qin has over fifteen years' experience in Liquefied Petroleum Gas business, liquefied natural gas, financing and corporate management.

Ms. Qin was previously the senior vice president and East-China region general manager, the Nanjing Region general manager and Jiangsu Region general manager of China Resources Gas Group Limited (華潤燃氣控股有限公司). She was also the chief representative of China Resources (Holdings) Company Limited (華潤(集團)有限公司) in Jiangsu province.

Ms. Qin graduated from Jiangsu Broadcasting Television University (江蘇廣播電視大學) and obtained a Professional qualification in Economy-Operating and Management of Industrial Enterprise (經濟類－工業企業經營管理).

COMPANY SECRETARY

Ms. Chan Wai Yee ("Ms. Chan"), aged 46, 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 and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the Executive Chairman, an executive Director and one of the independent non-executive Directors were unable to attend the Company's annual general meeting held on 28 June 2019.

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

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

The Group has 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 2019, he/she 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 recognises 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 2019, 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 15 to 17 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 25 Board meetings and 1 general meeting. 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	General meeting
Executive Directors		
Mr. Hu Yishi *(Executive Chairman)*	12/12	0/1
Mr. Chan Wing Yuen, Hubert *(Chief Executive Officer)*	25/25	1/1
Ms. Lin Min, Mindy	12/12	0/1
Ms. Kwong Wai Man, Karina	25/25	1/1
Independent non-executive Directors		
Ms. Ma Lee	12/12	1/1
Mr. Lau Kwok Kee	12/12	1/1
Ms. Qin Xuwen *(appointed on 2 December 2019)*	0/0	0/0
Mr. Lui Tin Nang *(resigned on 2 December 2019)*	11/11	0/1

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 requirements 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 to develop and refresh their knowledge.

Independent non-executive Directors

One of the independent non-executive Directors has entered into a letter of appointment with the Company on 1 October 2014, one of the independent non-executive Directors have entered into a letter of appointment with the Company on 8 June 2017 and one of the independent non-executive Directors have entered into a letter of appointment with the Company on 2 December 2019, 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, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen.

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

Members of the Audit Committee	Number of attendance
Ms. Ma Lee	6/6
Mr. Lau Kwok Kee	6/6
Ms. Qin Xuwen *(appointed on 2 December 2019)*	0/0
Mr. Lui Tin Nang *(resigned on 2 December 2019)*	6/6

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

1. Reviewed the Group's quarterly, interim and annual results and corporate governance matters for inclusion in the Company's annual report 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 2019; 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, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen. 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/her 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 Current Year, 2 meetings were held and the attendance of each member is set out as follows:

Members of the Remuneration Committee	Number of attendance
Ms. Ma Lee	2/2
Ms. Lin Min Mindy	2/2
Mr. Lau Kwok Kee	2/2
Ms. Qin Xuwen *(appointed on 2 December 2019)*	0/0
Mr. Lui Tin Nang *(resigned on 2 December 2019)*	1/1

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

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

2. Assessed performance of the executive Directors; and

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

Corporate Governance Report

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, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen. The Nomination Committee is mainly responsible for making recommendations to the Board on the 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 Current Year, 2 meetings were held and the attendance of each member is set out as follows:

Members of the Nomination Committee	Number of attendance
Ms. Ma Lee	2/2
Ms. Lin Min Mindy	2/2
Mr. Lau Kwok Kee	2/2
Ms. Qin Xuwen *(appointed on 2 December 2019)*	0/0
Mr. Lui Tin Nang *(resigned on 2 December 2019)*	1/1

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

1. Reviewed the policy for the nomination of Directors;

2. Reviewed the nomination procedures, 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 a more balanced and diverse Board composition.

Company Secretary

Ms. Chan was appointed as the Company Secretary on 15 August 2014. Ms. Chan reports to the 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 GEM Listing Rules, Ms. Chan has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2019. 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 by 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 2019. 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 41 to 44.

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 2019 is as follows:

Nature of services	**Amount** RMB'000
Audit services	1,950
Non-audit services — tax advisory	11

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 setting up the 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 a 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.

Corporate Governance Report

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 2019, 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 2019, 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.

During 2019, the internal audit team had completed review on internal control for the year, period of reviews covered transactions carried out from 1 January 2019 to 31 December 2019. 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
Market competition	With the continuous development of coal-to-gas conversion 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. With the operation of China-Russia natural gas pipeline in December 2018, it is expected to provide 38 billion cubic meters of natural gas resources each year to the Chinese market. The further expansion of market supply has declined the price of natural gas.	– The Group explores opportunities to expand the New Energy Business to other northern regions and Yangtze River Delta in order to seek business growth and mitigate risks. – The Company keeps abreast of market trends and works closely with upstream gas sources, and makes use of the changes in LNG prices in different seasons to reduce the economic impact arising from the rise in supply.	Increase
Government policy changes	If the government announces any change on the policies regarding "coal-to-gas" conversion projects, the number of projects that are available to the Group may be affected.	– The management will keep abreast of any change on the relevant policies so as to adjust business strategies of the Group in a timely manner – To expand the 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
Impact of social event	The major social events in Hong Kong may expose our employees and offices located in Hong Kong to safety risk, and affect the normal operation of offices in Hong Kong, which may result in losses.	– Arrange flexible working hours for employees and provide assistance to employees in the areas where social events take place – The Company enhances the level of internal control. If safety risk emerges, the Company will timely temporarily close the office in Hong Kong and deploy employees to work from home or in other regions	Increase

Risk	Description	Internal control measures	Changes
Health and safety	The Company's operations involve LNG. 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	No change
Environmental protection	For the main business, if the Company fails to comply with the regulations and policies issued by China's local environmental protection bureau and other regulatory agencies, it may cause the environmental protection bureau to shut down relevant illegal business until the completion of rectification, and to impose administrative penalties. 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.	– The Company complies with the regulations and policies of local regulatory agencies and conducts internal inspections from time to time to reduce the possibility of violating laws and regulations. – 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	No change
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 conversion projects, 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 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.	Increase

Risk	Description	Internal control measures	Changes
	Weak supervision of sub-suppliers may cause it to affect the Company's direct suppliers and affect the Company's business.	– Stabilize supply chain volume and price by, among others, seeking temporary solutions for supply chain and seeking to sign a supply agreement. – Cooperate with the Company's direct suppliers and effectively supervise sub-suppliers to reduce the impact of sub-suppliers on the business.	
Human resources	If the Group fails to recruit sufficient key professionals, such as management experts, project engineers, 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	Decrease
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	No change
Credit risk	The Group has concentrated credit risk as the trade receivables for New Energy Business consist of a few number of major customers in the PRC.	– In order to minimise the credit risk of trade receivables, the management of the Group has a designated team responsible for determining credit limit, credit approval and other monitoring procedures to ensure follow-up action to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that sufficient provision for impairment losses are made for the irrecoverable amount of trade receivables. The Group applies simplified method to make provisions for expected credit losses under IFRS 9, details of which are set out in note 21. In this regard, the management of the Group believes that the credit risk on trade receivables has been significantly reduced.	Increase

CONSTITUTIONAL DOCUMENTS

The Board is not aware of any significant change in the constitutional documents of the Company during the year ended 31 December 2019. 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.

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).

Corporate Governance Report

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 enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investing 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 issues 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 or before 30 June 2020. A notice convening the AGM will be issued and despatched to the 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; and

(2) Property Investment.

RESULTS

The Group's profit for the financial year ended 31 December 2019 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 45 to 127.

DIVIDEND AND POLICY

The Board has always put the interest of our shareholders in mind and 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 did not recommend the payment of any dividend for the Current Year (Previous Year: HK0.5 cents per ordinary share).

SEGMENT INFORMATION

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 95.2% (Previous Year: 57.6%) of the turnover of the Group and the largest customer of the Group accounted for about 43.7% (Previous Year: 19.5%) of the total turnover.

The five largest suppliers of the Group accounted for 99.1% (Previous Year: 49.8%) of the Group's total purchases for the Current Year and the largest supplier accounted for 94.9% (Previous Year: 27.3%) 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 26 to the consolidated financial statements.

RESERVES

Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2019 amounted to RMB422.1million (2018: RMB369.3 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 47.

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 2019 (2018: Nil).

Report of the Directors

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2019 (2018: Nil).

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes are set out in note 28 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 Current 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:

Ms. Ma Lee
Mr. Lau Kwok Kee
Ms. Qin Xuwen *(appointed on 2 December 2019)*
Mr. Lui Tin Nang *(resigned on 2 December 2019)*

Pursuant to the article 83(3), Ms. Qin Xuwen (who was appointed on 2 December 2019) being 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. Hu Yishi and Mr. Chan Wing Yuen, Hubert and Ms. Kwong Wai Man, Karina, all being executive Directors 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 Director 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.

One of the independent non-executive Directors has entered into a letter of appointment with the Company on 2 December 2019, 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 Directors 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 17 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 Remuneration 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 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 share issued upon the exercise of option 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 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 294,384,000 (31 December 2018: 371,584,000), representing 8.2% (31 December 2018: 10.6%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/forfeited during the review period and outstanding as at 31 December 2019 are as follows:

	At 1 January 2019	Granted during the year	Exercised during the year	Cancelled/ Forfeited during the year	Outstanding as at 31 December 2019	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 2019	Granted during the year	Exercised during the year	Cancelled/ Forfeited during the year	Outstanding as at 31 December 2019	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**	**–**	**(6,768,000)**	**(1,144,000)**	**137,632,000**			
Employees	3,200,000	–	(3,200,000)	–	–	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	49,880,000	–	(21,440,000)	(664,000)	27,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	49,880,000	–	(3,000,000)	(664,000)	46,216,000	9 June 2019 to 9 June 2024	0.289	0.28
	49,880,000	–	–	(664,000)	49,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	**152,840,000**	**–**	**(27,640,000)**	**(1,992,000)**	**123,208,000**			
Consultants	16,768,000	–	(16,768,000)	–	–	9 June 2018 to 9 June 2024	0.289	0.28
	28,216,000	–	(22,888,000)	–	5,328,000	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	**73,200,000**	**–**	**(39,656,000)**	**–**	**33,544,000**			
Total All Categories	**371,584,000**	**–**	**(74,064,000)**	**(3,136,000)**	**294,384,000**			
Exercisable at the end of the year					**186,008,000**			

* adjusted by share subdivision on 20 May 2016.

resigned as independent non-executive Director on 2 December 2019.

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

At 31 December 2019, 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 and/or any of 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	544,184,000	15.18%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.64%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

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 Century Investment Holdings Limited ("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 96,184,000 Shares held by Front Riches Investments Limited, a company which is 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
Ms. Ma Lee	Beneficial owner	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 44,800,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK$0.10125 per option share and 92,832,000 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 2019, 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 2019, 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 in ordinary shares and underlying shares of the Company

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	–	17.85%
Mr. Song Zhi Cheng (Note 2)	Interest of controlled corporation	640,000,000	–	17.85%
Smart Lane Global Limited (Note 3)	Beneficial owner	448,000,000	–	12.50%
Uprise Global Investments Limited (Note 4)	Beneficial owner	448,000,000	–	12.50%
Blossom Merit Limited (Note 5)	Beneficial owner	219,112,000	–	6.11%
Mr. Chan Tai Neng (Note 6)	Interest of controlled corporation	219,112,000	–	6.11%

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, an 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, an 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 as at the 30 September 2017.
6. Mr. Chan Tai Neng is deemed to be interested in 219,112,000 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 security issued by the Group and the Company at any time.

Save as disclosed above, as at 31 December 2019, 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 25 and 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Related Party Transactions and Connected Transactions" in this report of the Directors, no transactions, arrangements or contracts of significance, to which the Company, its holding company, fellow subsidiaries or its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 18 to 31.

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 2018 and 2019 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, 30 March 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF ZHONGHUA GAS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zhonghua Gas Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 45 to 127, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2019, 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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables from New Energy Business	
We identified the recoverability of trade receivables for the New Energy Business (defined in note 1 to consolidated financial statements) 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, aging 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 and estimates. As disclosed in note 21 to the consolidated financial statements, the carrying amount of the Group's trade receivables for the New Energy Business is RMB482,486,000 as at 31 December 2019. The Group provided loss allowance of RMB9,420,000 for trade receivables for the year ended 31 December 2019.	Our procedures in relation to assessing the recoverability of the trade receivables for 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 and estimates, 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 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
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Continuing operations			
Revenue	5	**344,766**	321,265
Cost of sales		**(227,534)**	(148,966)
Gross profit		**117,232**	172,299
Other income	6	**18,864**	20,248
Other gains and losses	7	**331**	138
Impairment losses under expected credit loss model		**(9,420)**	–
Administrative expenses		**(41,085)**	(45,136)
Interest on lease liabilities		**(218)**	–
Profit before tax	9	**85,704**	147,549
Income tax expense	11	**(31,964)**	(46,916)
Profit and total comprehensive income for the year from continuing operations		**53,740**	100,633
Discontinued operations			
Profit (loss) for the year from discontinued operation	8B	**101**	(3,893)
Profit and total comprehensive income for the year		**53,841**	96,740
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company:			
– from continuing operations		**44,120**	86,782
– from discontinued operation		**101**	(3,893)
Profit and total comprehensive income attributable to the owners of the Company		**44,221**	82,889
Profit and total comprehensive income attributable to non-controlling interests from continuing operations		**9,620**	13,851
		53,841	96,740
Earnings per share	13		
From continuing and discontinued operations			
Basic		**RMB0.013**	RMB0.024
Diluted		**RMB0.012**	RMB0.023
From continuing operations			
Basic		**RMB0.012**	RMB0.025
Diluted		**RMB0.012**	RMB0.025

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	14	**67,787**	80,650
Investment properties	15	**9,910**	9,910
Right-of-use assets	16	**4,148**	–
Rental deposits		**400**	1,465
Interest in an associate	18	**–**	–
Amount due from an associate	19	**–**	–
		82,245	92,025
Current assets			
Inventories	20	**–**	3,459
Trade and other receivables	21	**516,842**	378,460
Bank balances and cash	22	**19,607**	206,007
		536,449	587,926
Current liabilities			
Trade and other payables	23	**114,677**	218,068
Contract liabilities	24	**4,149**	9,569
Amount due to a shareholder	25	**–**	2,726
Tax liabilities		**9,204**	23,885
Lease liabilities	17	**2,516**	–
		130,546	254,248
Net current assets		**405,903**	333,678
Non-current liabilities			
Lease liabilities	17	**1,686**	–
Net assets		**486,462**	425,703
Capital and reserves			
Share capital	26	**3,635**	3,553
Reserves		**418,457**	365,700
Equity attributable to owners of the Company		**422,092**	369,253
Non-controlling interests		**64,370**	56,450
Total equity		**486,462**	425,703

The consolidated financial statements on pages 45 to 127 were approved and authorised for issue by the Board of Directors on 30 March 2020 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 2019

	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 2018	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 through acquisition of a non-wholly owned subsidiary (note 32)	–	–	–	–	–	–	17,433	17,433
Exercise of share options (note 26)	13	4,261	(1,340)	–	–	2,934	–	2,934
Forfeiture of share options (note 27)	–	–	(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
Profit and total comprehensive income for the year	–	–	–	44,221	–	44,221	9,620	53,841
Capital reduction in a non-wholly owned subsidiary	–	–	–	–	–	–	(1,700)	(1,700)
Exercise of share options (note 26)	82	25,731	(8,054)	–	–	17,759	–	17,759
Forfeiture of share options (note 27)	–	–	(291)	–	–	(291)	–	(291)
Recognition of equity-settled share based payments	–	–	6,669	–	–	6,669	–	6,669
Dividend recognised as distribution (note 12)	–	–	–	(15,519)	–	(15,519)	–	(15,519)
At 31 December 2019	3,635	38,232	25,193	354,504	528	422,092	64,370	486,462

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**53,841**	96,740
Adjustments for:			
Depreciation of property, plant and equipment		**10,861**	10,361
Depreciation of right-of-use assets		**5,887**	–
Loss on disposal of property, plant and equipment		**187**	–
Impairment loss recognised in respect of property, plant and equipment		**303**	–
Impairment losses recognised (reversed) under expected credit loss model		**9,420**	(2)
Income tax expense		**31,969**	46,951
Loss on liquidation of a subsidiary		**–**	115
Equity-settled share based expenses		**6,378**	13,935
Allowance recognised in respect of inventories		**–**	25
Rental deposit forfeited		**–**	(55)
Interest on lease liabilities		**218**	–
Interest income		**(449)**	(671)
Operating cash flows before movements in working capital		**118,615**	167,399
Decrease in rental deposits received		**(42)**	(620)
Decrease in inventories		**820**	69
(Increase) decrease in trade and other receivables		**(167,004)**	5,261
(Decrease) increase in trade and other payables		**(96,681)**	61,230
Increase (decrease) in contract liabilities		**3,963**	(1,601)
Cash (used in) generated from operations		**(140,329)**	231,738
Income tax paid		**(45,836)**	(44,492)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		**(186,165)**	187,246
INVESTING ACTIVITIES			
Acquisition of assets and liabilities through acquisition of a non-wholly owned subsidiary	32	**–**	(78,397)
Purchase of property, plant and equipment		**(213)**	(1,620)
Repayment of loan receivable		**5,285**	–
Refund of rental deposits		**863**	–
Net cash outflow arising on disposal of subsidiaries	8B	**(1,022)**	–
Interest received		**449**	671
NET CASH (USED IN) INVESTING ACTIVITIES		**5,362**	(79,346)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 **RMB'000**	2018 RMB'000
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(6,922)**	–
Proceeds from exercise of share options	**17,759**	2,934
Repayment to a director	**–**	(422)
Dividend paid	**(15,528)**	–
Interest paid on lease liabilities	**(218)**	–
Capital reduction in a non-wholly owned subsidiary	**(1,700)**	–
Advance from (repayment to) a shareholder	**1,012**	(13)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(5,597)**	2,499
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(186,400)**	110,399
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**206,007**	95,608
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**19,607**	206,007

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL

Zhonghua Gas Holdings Limited (the "Company") 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:

(1) the provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas ("LNG"), coupled with trading of new energy related industrial products ("New Energy Business");

(2) the leasing of investment properties ("Property Investments").

During the year ended 31 December 2019, the Group disposed all of its entities, which engaged in restaurants operation ("Catering Business") to an independent third party, details are set out in note 8B. The financial results contributed by the Catering Business are presented as results from discontinued operation and certain comparative amounts have been restated to confirm with current year's presentation. Details of the subsidiaries are set out in note 34.

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

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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

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 position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 "Leases"

The Group has applied IFRS 16 "Leases" for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB34,737,000 and right-of-use assets of RMB34,939,000 at 1 January 2019 by applying IFRS 16.C8(b)(ii) transition.

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

IFRS 16 "Leases" *(Continued)*

As a lessee *(Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	39,273
Lease liabilities discounted at relevant incremental borrowing rates	5%
Lease liabilities relating to operating leases recognised upon application of IFRS 16	34,737
Lease liabilities as at 1 January 2019	34,737
Analysed as	
Current	9,516
Non-current	25,221
	34,737

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	NOTE	At 1 January 2019 RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		34,737
Adjustments on rental deposits at 1 January 2019	(a)	202
		34,939

Note:

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB202,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

IFRS 16 "Leases" *(Continued)*

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position on 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Right-of-use assets	–	34,939	34,939
Rental deposits	1,465	(162)	1,303
Current assets			
Trade and other receivables	378,460	(40)	378,420
Current liabilities			
Lease liabilities	–	(9,516)	(9,516)
Non-current liabilities			
Lease liabilities	–	(25,221)	(25,221)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transition provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position as at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied under trade and other payables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, the adjustments to present value is insignificant to be recognised at the date of initial application, 1 January 2019.

In addition, there is no material impact on application of IFRS16 for the Group as lessor, on the Group's financial position as at 31 December 2019 and performance for year then ended.

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 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 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.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRS Standards, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards", will be 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 to the Group in foreseeable future.

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 judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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

Amendments to IAS 1 and IAS 8 "Definition of Material" *(Continued)*

The amendments also align the definition across all IFRS Standards and will be mandatorily effective for 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.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRS Standards have been updated to the New Framework, whilst some IFRS Standards, are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

IFRS 3 Business Combinations

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

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 Payment", leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 "Leases" (before application of IFRS 16), 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".

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 assesses 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with 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's 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

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

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with 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 customer are 60 days.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue from construction related and consultancy services

Revenue from construction related and consultancy services is recognised when the construction related and consultancy services are performed, certified and accepted by the customers. The Group recognised these revenue over time under IFRS 15 "Revenue from Contracts with Customers". The settlement period is generally within one to two years after the completion of construction related and consultancy services, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Leasing

Leases (upon application of IFRS 16 in accordance with transition in note 2)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

As a lessee

Allocation of consideration to components of a contract

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

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonable expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leases (upon application of IFRS 16 in accordance with transition in note 2) *(Continued)*

As a lessee (Continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leases (upon application of IFRS 16 in accordance with transition in note 2) *(Continued)*

As a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group as a lessee (Prior to 1 January 2019)

Operating lease payments, indicating 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leases (upon application of IFRS 16 in accordance with transition in note 2) *(Continued)*

As a lessor

Classification and measurement of leases

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

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

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statement 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 associate, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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

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

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

Current and deferred tax are recognised 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 on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use 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). The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. 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.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (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 and lease receivables. The ECL on trade receivables are assessed individually.

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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

- 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

(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.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities 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.

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.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and amount due to a shareholder 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 27.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of 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 option 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.

Provision of ECL for trade receivables

The ECL on trade receivables are assessed individually. The provision rates are based on internal credit rating. The provision of expected credit losses 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 21 and 30, respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue from each type of business for the years ended 31 December 2019 and 2018 are as follows:

A. Disaggregation of revenue from contracts with customers

Segments	2019 RMB'000	2018 RMB'000 (restated)
Types of goods or services		
New Energy Business		
Trading of industrial products	**2,124**	36,255
Construction related and consultancy services	**105,739**	230,535
Supply of LNG	**236,399**	54,239
Total	**344,262**	321,029
Timing of revenue recognition		
A point in time	**238,523**	90,494
Over time	**105,739**	230,535
Total	**344,262**	321,029

During the year ended 31 December 2019 and 2018, the management of the Group assessed the financial impact of the financing components related to the revenue from construction related and consultancy services and the amounts of consideration are adjusted for the effects of financing components unless the effects are considered immaterial.

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

All performance obligations for New Energy Business are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the years ended 31 December 2019 and 2018

	2019 RMB'000	2018 RMB'000
Continuing operations		
New Energy Business	**344,262**	321,029
Property Investments	**504**	236
	344,766	321,265

Segment information is presented below.

For the year ended 31 December 2019, the information reported to the chief operating decision maker, i.e. the executive Directors of the Company ("CODM"), for the purposes of resource allocation and performance assessment are as follows:

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

B. For the years ended 31 December 2019 and 2018 *(Continued)*

(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 related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with trading of new energy related industrial products.

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

As the Group disposed of all the PRC entities which were engaged in restaurants operation on 30 April 2019, the financial results contributed by the Catering Business represented the financial results during 1 January 2019 to 30 April 2019 and presented as results from discontinued operation. After that, the Catering Business was no longer existed for segment reporting to CODM. Comparative segment information was represented accordingly.

Year ended 31 December 2019

	New Energy Business RMB'000	Property Investments RMB'000	Total RMB'000
Continuing operations			
REVENUE			
External sales	**344,262**	**504**	**344,766**
RESULT			
Segment result	**115,361**	**468**	**115,829**
Unallocated corporate expenses			**(30,419)**
Net foreign exchange gain			**294**
Profit before tax			**85,704**

Year ended 31 December 2018

	New Energy Business RMB'000	Property Investments RMB'000	Total RMB'000
Continuing operations			
REVENUE			
External sales	321,029	236	321,265
RESULT			
Segment result	184,408	118	184,526
Unallocated corporate expenses			(37,114)
Net foreign exchange gain			137
Profit before tax			147,549

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Year ended 31 December 2019

	New Energy Business RMB'000	Property Investments RMB'000	Unallocated RMB'000	Total RMB'000
Continuing operations				
Amounts included in the measure of segment profit or loss:				
Impairment loss recognised in respect of trade and other receivables	9,420	–	–	9,420
Depreciation of property, plant and equipment	10,378	–	360	10,738
Depreciation of right-of-use assets	1,191	–	1,339	2,530
Interest on lease liabilities	130	–	88	218
Interest income	(202)	(2)	(245)	(449)
Government subsidies	(5,719)	–	–	(5,719)

Year ended 31 December 2018

	New Energy Business RMB'000	Property Investments RMB'000	Unallocated RMB'000	Total RMB'000
Continuing operations				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	9,567	–	370	9,937
Interest income	(251)	–	(388)	(639)
Government subsidies	(13,035)	–	–	(13,035)

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 net foreign exchange gain 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.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

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 rental deposits) are presented based on the geographical locations of the customers and assets respectively.

	Revenue from external customers		Non-current assets	
	Year ended 31 December			
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Continuing operations				
PRC	**344,766**	321,265	**79,248**	89,849
Hong Kong	**–**	–	**2,597**	711
	344,766	321,265	**81,845**	90,560

Information about major customers

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

	2019	2018
	RMB'000	RMB'000
Customer A (New Energy Business)	**150,490**	72,340
Customer B (New Energy Business)	**88,845**	55,621
Customer C (New Energy Business)	**N/A[1]**	38,621
Customer D (New Energy Business)	**50,948**	4,717

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

6. OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Continuing operations		
Rental and operating management service income	**9,073**	6,519
Government subsidies (note)	**5,719**	13,035
Interest income	**449**	639
Rental deposit forfeited	**–**	55
Trade payables written off	**3,152**	–
Others	**471**	–
	18,864	20,248

Note: During the year ended 31 December 2019, PRC subsidiaries received approximately RMB5,719,000 (2018: RMB13,035,000), subsidies given by the PRC government for encouragement of its New Energy 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

	2019 RMB'000	2018 RMB'000
Continuing operations		
Net foreign exchange gain	**294**	137
Others	**37**	1
	331	138

8A. 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 date 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 (note 8B)	115

8B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, the Group disposed of Wealth Grade Limited and 上海富愷商務諮詢有限公司 ("Shanghai Fu Kai Commercial Consultation Company Limited"), wholly owned subsidiaries of the Company and its subsidiaries, which were engaged in the restaurants operation in the PRC and presented under "Catering Business" of the Group, to an independent third party at a cash consideration of RMB2,000,000. The disposal was completed on 30 April 2019 and resulted in a gain on disposal of subsidiaries amounted to RMB1,786,000.

8B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

The loss for the period/year from the discontinued operation in respect of Catering Business is analysed as follow:

	NOTE	**Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000**	Year ended 31 December 2018 RMB'000
Loss of Catering Business		**(1,685)**	(3,893)
Gain on disposal of Catering Business		**1,786**	–
Profit (loss) for the period/year from discontinued operation and attributable to owners of the Company		**101**	(3,893)
Revenue		**14,917**	43,473
Cost of sales		**(12,209)**	(37,079)
Gross profit		**2,708**	6,394
Other income		**3**	53
Other gains and losses		**(256)**	451
Administrative expenses		**(2,076)**	(6,144)
Selling and distributions		**(1,252)**	(4,497)
Impairment loss recognised in respect of property, plant and equipment		**(303)**	–
Interest on lease liabilities		**(504)**	–
Loss on liquidation of a subsidiary	8A	**–**	(115)
Loss before tax		**(1,680)**	(3,858)
Income tax expense		**(5)**	(35)
Loss of Catering Business for the period/year		**(1,685)**	(3,893)
Loss per share from discontinued operation attributable to owners of the Company (Note)			
Basic		**RMB0.000**	(RMB0.001)
Diluted		**RMB0.000**	(RMB0.001)

Note: The denominators used are the same as these detailed in note 13 for both basic and diluted earnings per share.

* For identification purpose only

8B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

Cash flows for the period/year from the discontinued operation are as follows:

	RMB'000
For the period from 1 January 2019 to 30 April 2019 (date of disposal)	
Net cash inflow from operating activities	474
Net cash inflow from investing activities	136
Net cash outflow used in financing activities	(2,582)
Net cash outflow	(1,972)

	RMB'000
For the period from 1 January 2018 to 31 December 2018	
Net cash outflow used in operating activities	(3,830)
Net cash outflow used in investing activities	(2,100)
Net cash outflow used in financing activities	(14)
Net cash outflow	(5,944)

Loss for the period/year from discontinued operation in respect of Catering Business has been arrived at after charging (crediting):

	Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000	Year ended 31 December 2018 RMB'000
Salaries and other allowances	**4,714**	13,172
Retirement benefit scheme contributions	**815**	2,578
Total staff costs	**5,529**	15,750
Less: included in cost of sales	**(3,880)**	(12,053)
	1,649	3,697
Auditors' remuneration	**7**	–
Depreciation of property, plant and equipment	**123**	424
Less: included in cost of sales	**(116)**	(176)
	7	248
Depreciation of right-of-use assets	**3,357**	–
Cost of inventories recognise as an expense	**4,856**	13,709

8B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

The carrying amounts of the assets and liabilities over which control was lost is disclosed as below:

	RMB'000
Property, plant and equipment (note 14)	1,725
Right-of-use assets (note 16)	28,323
Inventories	2,639
Trade and other receivables	13,917
Bank balances and cash	3,022
Trade and other payables	(6,659)
Contract liabilities	(9,383)
Lease liabilities	(27,032)
Amount due to a shareholder	(3,738)
Tax payable	(2,600)
Net assets disposed	214

	RMB'000
Gain on disposal of the Catering Business:	
Consideration received	2,000
Net assets disposed of	(214)
Gain on disposal	1,786
Net cash outflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(3,022)
	(1,022)

9. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	2019 RMB'000	2018 RMB'000
Profit before tax has been arrived at after charging:		
Directors' and chief executive's emoluments (note 10)	**9,723**	11,817
Salaries and other allowances	**7,691**	5,684
Retirement benefit scheme contributions, excluding those of Directors	**840**	710
Equity-settled share based payments, excluding those of Directors	**4,462**	9,611
Total staff costs	**22,716**	27,822
Auditors' remuneration	**1,950**	1,478
Depreciation of property, plant and equipment	**10,738**	9,937
Less: included in cost of sales	**(10,332)**	(9,471)
	406	466
Depreciation of right-of-use assets	**2,530**	–
Cost of inventories recognise as an expense	**201,449**	46,222

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:

2019

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	177	2,294	16	178	2,665
Mr. Chan Wing Yuen, Hubert	177	917	58	709	1,861
Ms. Lin Min, Mindy	177	2,294	16	178	2,665
Ms. Kwong Wai Man, Karina	177	917	58	709	1,861
Independent Non-executive Directors					
Ms. Ma Lee	177	–	–	71	248
Mr. Lau Kwok Kee	177	–	–	71	248
Ms. Qin Xuwen (Note 1)	14	–	–	–	14
Mr. Lui Tin Nang (Note 2)	161	–	–	–	161
Total	1,237	6,422	148	1,916	9,723

Notes:

1. Ms. Qin Xuwen has been appointed as an independent Non-executive Director on 2 December 2019.

2. Mr. Lui Tin Nang was resigned from his position as independent Non-executive Director with effective on 2 December 2019.

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

Directors *(Continued)*

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

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 and 15 November 2014. Details of the share option scheme are set out in note 27 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:

	2019	2018
Directors	4	4
Employee	1	1
	5	5

The remuneration of the four (2018: four) directors of the Company are set out above. The emoluments of the remaining individual were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	1,163	1,210
Retirement benefit scheme contributions	74	76
	1,237	1,286

The number of the five highest paid individuals who are not the directors of the Company whose remuneration fell within the following band:

	2019	2018
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 2019 and 2018.

11. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2019 **RMB'000**	2018 RMB'000
Enterprise Income Tax ("EIT") in the PRC		
Current tax	**31,964**	46,582
Under provision in prior years	**–**	334
	31,964	46,916

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.

11. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

(Continued)

PRC

PRC subsidiaries located in Shanghai and Tianjin are subject to PRC 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%.

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

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**85,704**	147,549
Tax at EIT rate (25%)	**21,426**	36,887
Tax effect of expenses not deductible for tax purpose	**2,355**	320
Tax effect of income not taxable for tax purpose	**(112)**	(160)
Effect of tax concessions granted to the subsidiary	**(74)**	(48)
Tax effect of tax losses not recognised	**5,601**	6,590
Under provision in prior years	**–**	334
Effect of different tax rates of subsidiaries operations in Hong Kong	**2,768**	2,993
Tax charge for the year	**31,964**	46,916

At the end of the reporting period, the Group has unused tax losses of RMB104,702,000 (2018: RMB71,227,000) 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 RMB11,370,000 (2018: RMB11,832,000) will expire in 2019, RMB10,276,000 (2018: RMB10,751,000) will expire in 2020, RMB2,475,000 (2018: RMB2,475,000) will expire in 2021, RMB3,158,000 (2018: RMB3,158,000) will expire in 2022, RMB3,983,000 (2018: RMB3,983,000) will expire in 2023 and RMB907,000 (2018: nil) will expire in 2024. 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 RMB288,340,000 (2018: RMB235,433,000) as at 31 December 2019 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

During the year ended 31 December 2018, a final dividend in respect of the year ended 31 December 2018 of HK$0.5 cents per ordinary share, in an aggregate amount of HK$17,653,000 (equivalent to RMB15,519,000) was recognised as a distribution. The directors of the Company have determined that no dividend will be paid in respect of the year ended 31 December 2019.

13. EARNINGS PER SHARE

From continuing operations

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

	2019 **RMB'000**	2018 RMB'000
Profit for the year attributable to owners of the Company	**44,221**	82,889
Less: Profit (loss) for the year from discontinued operation	**101**	(3,893)
Profit for the purpose of basic earnings per share from continuing operations	**44,120**	86,782

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:

	2019 **'000**	2018 '000
Weighted average number of shares used in the calculation of basic earnings per share	**3,534,271**	3,499,551
Shares deemed to be issued in respect of:		
– Share options	**46,579**	43,455
Weighted average number of shares used in the calculation of diluted earnings per share	**3,580,850**	3,543,006

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2019 **RMB'000**	2018 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**44,221**	82,889

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

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 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 and 1 January 2019	8,749	87,008	4,502	4,867	105,126
Additions	138	–	75	–	213
Eliminated on disposal of subsidiaries (note 8B)	(6,903)	–	(2,952)	(3,045)	(12,900)
Disposals	–	–	(555)	(1,257)	(1,812)
At 31 December 2019	1,984	87,008	1,070	565	90,627
DEPRECIATION					
At 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 and 1 January 2019	7,436	9,472	3,303	4,265	24,476
Provided for the year	183	10,333	220	125	10,861
Impairment loss recognised	303	–	–	–	303
Eliminated on disposal of subsidiaries (note 8B)	(6,062)	–	(2,348)	(2,765)	(11,175)
Disposals	–	–	(494)	(1,131)	(1,625)
At 31 December 2019	1,860	19,805	681	494	22,840
CARRYING VALUES					
At 31 December 2019	124	67,203	389	71	67,787
At 31 December 2018	1,313	77,536	1,199	602	80,650

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

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%

During the year ended 31 December 2018, the directors of the Company approved to dispose of the Group's Catering Business in April 2019 and considered an impairment on the leasehold improvement in its restaurants located in the PRC amounted to RMB303,000 which was charged to the consolidated profit or loss and other comprehensive income as expense of the discontinued operation for the year ended 31 December 2019.

As at 31 December 2018, the Group has furniture, fixtures and equipment of property, plant and equipment with the following original cost of RMB2,217,000 that have been fully depreciated but still in use.

15. INVESTMENT PROPERTIES

	2019 **RMB'000**	2018 RMB'000
AT FAIR VALUE		
At beginning of the year and 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 measured 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 2019 and 31 December 2018 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.

15. INVESTMENT PROPERTIES *(Continued)*

Fair value measurements and valuation processes *(Continued)*

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 is their current use.

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 2019 valuation, average monthly rental of RMB6.2 (2018: RMB6.2) per square meter is used.	A significant 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 2019 valuation, discount rate approximate to 5% (2018: 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 31 December 2018 are as follows:

	Level 3 RMB'000	Fair value RMB'000
Commercial properties unit located in the PRC		
At 31 December 2019	9,910	9,910
At 31 December 2018	9,910	9,910

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

16. RIGHT-OF-USE ASSETS

The tenure of the Group's lease arrangements for renting office premises is mainly from two to five years for the year ended 31 December 2019.

Before the disposal of the Catering Business on 30 April 2019, the Group rented restaurants in the PRC with lease arrangement of two to five years.

The lease arrangements for renting office premises and restaurant usually allow early termination for the Group's giving one-month prior notice after twelve months from the commencement of the leases, otherwise, penalties, equivalent to one-month lease payment, is necessary. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group's right-of-use assets in respect of lease arrangements for renting office premises at the end of reporting period are as follows:

	Office premises RMB'000	**Restaurants** RMB'000	**Total** RMB'000
COST			
At 31 December 2018	–	–	–
Adjustment on application of IFRS 16	4,143	30,796	34,939
At 1 January 2019	4,143	30,796	34,939
Additions	3,419	–	3,419
Disposal of subsidiaries (note 8B)	(884)	(30,796)	(31,680)
Expiration of lease contracts	(303)	–	(303)
At 31 December 2019	6,375	–	6,375
DEPRECIATION			
At 1 January 2019	–	–	–
Depreciation charge for the year	2,716	3,171	5,887
Disposal of subsidiaries (note 8B)	(186)	(3,171)	(3,357)
Expiration of lease contracts	(303)	–	(303)
At 31 December 2019	2,227	–	2,227
CARRYING VALUES			
At 31 December 2019			4,148
At 31 December 2018			–
Expense related to short-term leases			35

For the year ended 31 December 2019, the total cash payments for the Group's lease arrangements (including both short-term leases and repayments of lease liabilities) amounting to RMB7,175,000.

17. LEASE LIABILITIES

	2019 RMB'000
Non-current	**1,686**
Current	**2,516**
	4,202

Maturity analysis

	2019 RMB'000
Within one year	**2,516**
Within a period of more than one year but not exceeding two years	**1,686**
	4,202

The weighted average lessee's incremental borrowing rate was 5.00% per annum for the year ended 31 December 2019 (2018: Nil).

18. INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Cost of unlisted investment in an associate	**–**	400
Deemed capital contribution (note)	**–**	1,705
Share of post-acquisition losses	**–**	(2,105)
	–	–

18. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31 December 2018, 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	Proportion of voting rights held by the Group 31 December 2018	Principal activities
Dong Hai Noble House Food and Beverage Co., Ltd. ("Dong Hai Noble House")	Limited liability	PRC	40%	40%	Dormant

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

As stated in note 8B, the associate held by a subsidiary was disposed of by the Group upon the completion of the disposal of its Catering Business during the year ended 31 December 2019.

The summarised financial information in respect of the Group's associate for the year ended 31 December 2018 is set out below and were prepared in accordance with IFRS Standards.

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

Dong Hai Noble House

	2018 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)

18. INTEREST IN AN ASSOCIATE *(Continued)*

Dong Hai Noble House *(Continued)*

	Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000	Year ended 31 December 2018 RMB'000
Revenue	–	–
Results for the year attributable to owner of the associate	–	–
Group's share of loss	–	–

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

	2018 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	–
The unrecognised share of loss of an associate for the year	–
Cumulative unrecognised share of loss of an associate	5,644

19. AMOUNT DUE FROM AN ASSOCIATE

	2019 **RMB'000**	2018 RMB'000
Dong Hai Noble House – non-trade (non-current) (note (a))	**–**	7,370
Less: Impairment loss recognised (note (b))	**–**	(7,370)
	–	–

Notes:

(a) As at 31 December 2018, the amount represented advances to finance the operations of Dong Hai Noble House and was interest-free and had no fixed repayment terms. Management of the Group considered the amount would not be settled within the next twelve months, and thus classified it as non-current asset. Upon the disposal of the interest in an associate through the disposal of the Group's Catering Business, the amount was derecognised during the year ended 31 December 2019.

(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 years ended 31 December 2018 and no reversal was made 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 30.

20. INVENTORIES

	2019 **RMB'000**	2018 RMB'000
Food and beverages	**–**	2,821
Consumables	**–**	638
	–	3,459

21. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**491,906**	351,363
Less: Allowance for expected credit loss	**(9,420)**	–
	482,486	351,363

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

For the trading of industrial products and supply of 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 construction related and consultancy services, net of allowance, based on invoice dates at the end of the reporting period, which approximately the respective contract completion date, is as follows:

	2019 RMB'000	2018 RMB'000
Trade receivables for construction related and consultancy services work (included in New Energy Business):		
0 – 180 days	**226,922**	95,813
181 – 270 days	**7,471**	96,318
271 days – 1 year	**15,552**	56,717
Over 1 year but within 2 years	**8,108**	–
	258,053	248,848
Within settlement period	**94,478**	227,523
Past due	**163,575**	21,325
	258,053	248,848

The average duration to complete the contracts in respect of construction related and consultancy services are one to three months.

21. TRADE AND OTHER RECEIVABLES *(Continued)*

The aged analysis of the Group's trade receivables for trading of industrial products, supply 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:

	2019 RMB'000	2018 RMB'000
Trade receivables for trading of industrial products and supply of LNG (included in New Energy Business)		
– 0 – 60 days	**143,610**	100,587
– 61 – 180 days	**–**	–
– Over 180 days	**80,823**	373
	224,433	100,960
Trade receivables for Catering Business:		
0 – 30 days	**–**	979
31 – 60 days	**–**	157
61 – 90 days	**–**	90
91 – 120 days	**–**	3
121 – 150 days	**–**	2
151 – 180 days	**–**	14
Over 180 days	**–**	310
	–	1,555
Total trade receivables	**482,486**	351,363
Other receivables and deposits:		
Prepayments to suppliers	**23,586**	7,758
Prepayments for operating expenses	**1,383**	997
Value-added tax for purchases	**6,367**	8,308
Other receivables	**3,089**	4,818
Loan receivable (note)	**–**	5,285
Less: loss allowance for other receivables	**(69)**	(69)
	34,356	27,097
	516,842	378,460

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

The loan receivable was fully repaid during the year ended 31 December 2019.

Details of impairment assessment of trade and other receivables are set out in note 30.

22. BANK BALANCES AND CASH

As at 31 December 2019 and 2018, 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:

	2019	2018
Range of interest rate per annum	**0.13% – 1.10%**	0.13% – 1.10%

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

	2019 **RMB'000**	2018 RMB'000
Hong Kong dollars ("HKD")	**3,809**	4,009
United States dollars ("USD")	**246**	1,033

Details of impairment assessment of bank balances are set out in note 30.

23. TRADE AND OTHER PAYABLES

The credit period for trade purchases of the Catering Business was 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:

	2019 **RMB'000**	2018 RMB'000
Trade payables:		
0 – 30 days (note)	**40,281**	150,673
31 – 60 days	**328**	1,040
61 – 90 days	**–**	430
91 – 180 days	**5,139**	3,440
Over 180 days	**65,442**	47,410
	111,190	202,993
Other payables:		
Accruals	**1,528**	2,852
Other payables	**63**	7,450
Employee benefits payable	**121**	332
Other taxes payable	**1,775**	4,441
	3,487	15,075
	114,677	218,068

Note: Included in the amount represents trade payables of RMB7,353,000 (2018: RMB82,588,000) from the New Energy Business, which are not yet due at year end and are within the settlement period according to the contract terms, which is generally within one year after the completion of construction related and consultancy services to New Energy Business.

24. CONTRACT LIABILITIES

	2019 **RMB'000**	2018 RMB'000
Supply of LNG	**4,149**	–
Restaurants voucher cards	**–**	9,569
	4,149	9,569

As at 1 January 2018, contract liabilities amounted to RMB11,170,000.

As at 31 December 2018, the Group received prepayment from customers for its restaurants operation in the PRC and the restaurants voucher cards were non-refundable, have no expiration and can be utilised any time at customers' discretion. During the year end 31 December 2019, there was no contract liabilities related to restaurants operation existed after the completion of disposal of the Group's Catering Business, details are set in note 8B.

As at 31 December 2019, the Group received deposits from customers for sales of LNG in the PRC. The deposits result in contract liabilities until the customer obtains control of the LNG.

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

	Operation of restaurants	
	Period from 1 January 2019 to 30 April 2019 (date of disposal) **RMB'000**	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period/year	**835**	2,707

25. AMOUNT DUE TO A SHAREHOLDER

	2019 **RMB'000**	2018 RMB'000
Amount due to a shareholder	**–**	2,726

The amount due to a shareholder was denominated in HKD, unsecured, non-interest bearing and repayable on demand. The amount was fully repaid for the year ended 31 December 2019.

26. SHARE CAPITAL

	Number of shares '000	Amount RMB'000	Amount HK$'000
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019			
– Ordinary shares of HK$0.00125 each	64,000,000		80,000
Issued and fully paid:			
At 1 January 2018	3,499,520	3,540	4,375
Exercise of share options (note 27)	11,448	13	14
At 31 December 2018 and 1 January 2019	3,510,968	3,553	4,389
Exercise of share options (note 27)	74,064	82	93
At 31 December 2019			
– Ordinary shares of HK$0.00125 each	3,585,032	3,635	4,482

	2019 RMB'000	2018 RMB'000
Shown on the consolidated statement of financial position	**3,635**	3,553

During the year ended 31 December 2019, 7,680,000 new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.10125 granted on 25 November 2014 and 66,384,000 new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.289 granted on 9 June 2017. The gross proceeds from the exercise of share options are HK$19,963,000 (equivalent to RMB17,759,000).

During the year ended 31 December 2018, an aggregate of 11,448,000 new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.289 granted on 9 June 2017. The gross proceeds from the exercise of share options were HK$3,308,000 (equivalent to RMB2,934,000).

27. 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. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time.

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$0.10125 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 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 294,384,000 (31 December 2018: 371,584,000), representing 8.2% (31 December 2018: 10.6%) of the shares of the Company in issue at that date.

27. 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 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 the 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.

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

The following table discloses movement of the Company's share options during the years ended 31 December 2019 and 2018:

Option type	Outstanding at 1.1.2018	Granted	Exercised	Forfeited	Outstanding at 31.12.2018 and 1.1.2019	Granted	Exercised	Forfeited	Outstanding at 31.12.2019
	'000	'000	'000	'000	'000	'000	'000	'000	'000
Option A	49,280	–	–	–	49,280	–	(4,480)	–	44,800
Option B	3,200	–	–	–	3,200	–	(3,200)	–	–
Option C	32,088	–	–	–	32,088	–	(1,144)	–	30,944
Option D	32,088	–	–	–	32,088	–	(1,144)	–	30,944
Option E	32,088	–	–	–	32,088	–	–	(1,144)	30,944
Option F	28,216	–	(11,448)	–	16,768	–	(16,768)	–	–
Option G	28,216	–	–	–	28,216	–	(22,888)	–	5,328
Option H	28,216	–	–	–	28,216	–	–	–	28,216
Option I	54,208	–	–	(4,328)	49,880	–	(21,440)	(664)	27,776
Option J	54,208	–	–	(4,328)	49,880	–	(3,000)	(664)	46,216
Option K	54,208	–	–	(4,328)	49,880	–	–	(664)	49,216
	396,016	–	(11,448)	(12,984)	371,584	–	(74,064)	(3,136)	294,384
Exercisable at the end of the year 2019									186,008
Weighted average exercise price (HK$)	0.264	–	0.289	0.289	0.291	–	0.289	0.289	0.262

In respective of the share options exercised during the year, the weighted average share price at the date of exercise is HK$0.3025 (2018: HK$0.3000).

The Group recognised an expense of HK$7,289,000 (equivalent to RMB6,378,000) in relation to share options granted by the Company for the year ended 31 December 2019 (31 December 2018: HK$15,711,000 (equivalent to RMB13,935,000)).

28. 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 (2018: 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 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 2019 in respect of the retirement of its employees.

The total cost of RMB988,000 (2018: RMB858,000) charged to profit or loss represents contributions paid or payable to the above schemes by the Group for the year ended 31 December 2019.

29. 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.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**505,113**	567,404
Financial liabilities		
Amortised cost	**111,374**	213,501

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies

The Group's major financial instruments include rental deposits, trade and other receivables, bank balances and cash, trade and other payables, amount due to a shareholder and lease liabilities. 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.

Market risk

(i) Currency risk

The Group has no external borrowings except for lease liabilities and maintained bank balances partly 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 2019, the carrying amounts of the Group's foreign currency denominated monetary assets mainly represented bank balances and cash denominated in HKD and USD.

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

	2019 **RMB'000**	2018 RMB'000
Assets		
HKD	**3,809**	4,009
USD	**246**	1,033

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:

	2019 **RMB'000**	2018 RMB'000
HKD	**(190)**	(200)
USD	**(12)**	(52)

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.

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 17) and cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (note 22). No sensitivity analyses been prepared as the management considers that such exposure for variable-rate bank balances is limited.

Credit risk and impairment assessment

As at 31 December 2019 and 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 on the balances of trade receivables individually.

Loan receivable

The directors of the Company has assessed the financial position of the borrower as well as the economic outlook of the industry in which the borrower 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 12-month ECL. The loan receivables were fully repaid during the year ended 31 December 2019.

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. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating agencies. Based on the average loss rate, the 12m ECL on bank balances is considered to be insignificant.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables for New Energy Business consist of a few number of major customers in the PRC.

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. 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

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. 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:

2019	NOTES	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	21	N/A	Note	Lifetime ECL – not credit-impaired	313,033
			Watch list	Lifetime ECL – not credit-impaired	178,873
					491,906
Other receivables	21	N/A	Low risk	12-month ECL	3,089
Bank balances	22	AA	N/A	12-month ECL	19,550

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

2018	NOTES	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables	21	N/A	Note	Lifetime ECL	351,363
Loan receivable	21	N/A	Low risk	12-month ECL	5,285
Other receivables	21	N/A	Low risk	12-month ECL	4,818
Amount due from an associate	19	N/A	Loss	Credit-impaired	7,370
Bank balances	22	AA	N/A	12-month ECL	205,975

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on the trade debtors individually based on the internal credit rating.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The Group provided impairment allowance of approximately RMB9,420,000 (2018: Nil) for trade receivables, which are assessed individually for New Energy Business under ECL model based on internal credit ratings. Impairment allowance of Nil (2018: Nil) was made on credit-impaired debtors.

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000
As at 1 January 2018 and 31 December 2018	–
Impairment losses recognised	9,420
At 31 December 2019	9,420

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

	Lifetime ECL (credit-impaired) RMB'000
As at 1 January 2018, 31 December 2018 and 31 December 2019	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 1 January 2018 and 31 December 2018	7,370
Disposal of Subsidiaries	(7,370)
As at 31 December 2019	–

30. FINANCIAL INSTRUMENTS *(Continued)*

30b. 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 and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

Liquidity table

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying value at 31.12.2019 RMB'000
2019							
Trade and other payables	–	–	111,374	–	–	111,374	111,374
Lease liabilities	5.00	–	675	1,994	1,733	4,402	4,202
		–	112,049	1,994	1,733	115,776	115,576

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years 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

30c. Fair value

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

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 2019 RMB'000	Financing cash flow RMB'000	Non-cash items Exchange difference RMB'000	New Leases entered RMB'000	Disposal of subsidiaries RMB'000 (note 8B)	Dividend declared RMB'000	Interest on lease liabilities RMB'000	As at 31 December 2019 RMB'000
Amount due to a shareholder (note 25)	2,726	1,012	–	–	(3,738)	–	–	–
Dividend payable	–	(15,528)	9	–	–	15,519	–	–
Lease liabilities	34,737	(7,140)	–	3,419	(27,032)	–	218	4,202
	37,463	(21,656)	9	3,419	(30,770)	15,519	218	4,202

	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 25)	2,739	(13)	2,726
Amount due to a director	422	(422)	–
	3,161	(435)	2,726

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 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.

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

(Continued)

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

	RMB'000
Property, plant and equipment (note 14)	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) Balances

Details of balances with related parties are set out in the consolidated statement of financial position and in notes 19 and 25, respectively.

(ii) 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 period 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 2019	2018	Proportion of voting power held by the Company 2019	2018	Share capital/ registered and paid-up capital	Principal activities
Directly owned								
富品有限公司 Wealth Grade Limited (Note 1)	BVI 8 August 2011	BVI	**Nil**	100%	**N/A (Note 1)**	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	Hong Kong	**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%**	100%	**100%**	100%	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%**	100%	**100%**	100%	US$1	Investment holding

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 2019	Equity interest attributable to the Group 2018	Proportion of voting power held by the Company 2019	Proportion of voting power held by the Company 2018	Share capital/ registered and paid-up capital	Principal activities
Indirectly owned								
百德(中國)有限公司 Million Merit (China) Limited (Note 1)	Hong Kong 1 February 2007	Hong Kong	**Nil**	100%	**N/A (Note 1)**	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 1 and 3)	PRC 22 December 2003	PRC	**Nil**	100%	**N/A (Note 1)**	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 1 and 3)	PRC 29 August 2002	PRC	**Nil**	100%	**N/A (Note 1)**	100%	RMB1,000,000	Operating restaurant
上海尊軒實業有限公司 Shanghai Zun Xuan Enterprise Limited (Note 1 and 3)	PRC 10 October 2014	PRC	**Nil**	100%	**N/A (Note 1)**	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 1 and 3)	PRC 13 July 2017	PRC	**Nil**	100%	**N/A (Note 1)**	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%	RMB1,000,000 (2018: RMB18,000,000)	New energy development, research on its related technologic and construction business
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

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 2019	Equity interest attributable to the Group 2018	Proportion of voting power held by the Company 2019	Proportion of voting power held by the Company 2018	Share capital/ registered and paid-up capital	Principal activities
天津津熱天然氣銷售有限公司 Tianjin Jin Re Natural Gas |Sales Company Limited (Note 2)	PRC 15 October 2015	PRC	**81.8%**	81.8%	**81.8%**	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 (Note 2)	PRC 21 June 2018	PRC	**89.9%**	89.9%	**89.9%**	81.8%	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
怡大有限公司 Total Joy Corporation Limited	Hong Kong 8 July 2014	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Providing administrative services to the group
冠悅管理有限公司 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

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 2019	Equity interest attributable to the Group 2018	Proportion of voting power held by the Company 2019	Proportion of voting power held by the Company 2018	Share capital/ registered and paid-up capital	Principal activities
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%**	100%	**100%**	100%	HK$1	Investment holding
中華燃氣發展有限公司 Zhonghua Gas Development Limited (Note 2)	Hong Kong 17 August 2018	Hong Kong	**100%**	100%	**100%**	100%	HK$1	Not yet commence business
天晟九燃(上海)新成源有限公司 (Note 3 and 4)	PRC 12 November 2019	PRC	**100%**	Nil	**100% (Note 4)**	N/A	US$250,000	Not yet commence business

Notes:

1. The subsidiary was disposed of in 2019.

2. There subsidiaries were newly acquired/established in 2018.

3. These subsidiaries established in the PRC are wholly foreign owned enterprise.

4. The subsidiary was newly established in 2019.

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	
		2019	2018	**2019**	2018	**2019**	2018
				RMB'000	RMB'000	**RMB'000**	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	**10.0%**	10.0%	**(91)**	(14)	**4,971**	6,762
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%	**49**	10,918	**29,357**	29,308
天津津熱天然氣銷售有限公司 Tianjin Jin Re Natural Gas Sales Company Limited	PRC	**18.2%**	18.2%	**2,685**	(84)	**20,034**	17,349
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%**	10.1%	**6,977**	3,031	**10,008**	3,031
				9,620	13,851	**64,370**	56,450

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

	2019 RMB'000	2018 RMB'000
Current assets	**56,877**	75,036
Non-current assets	**578**	9
Current liabilities	**(7,746)**	(7,429)
Paid up capital	**1,000**	18,000
Reserves	**48,709**	49,616
Equity attributable to owners of the Company	**44,738**	60,854
Non-controlling interests	**4,971**	6,762

	2019 RMB'000	2018 RMB'000
Revenue	**–**	9,918
Expenses	**(907)**	(10,057)
Loss for the year	**(907)**	(139)
Loss and total comprehensive expense attributable to owners of the Company	**(816)**	(125)
Loss and total comprehensive expense attributable to the non-controlling interests	**(91)**	(14)
Loss and total comprehensive expense for the year	**(907)**	(139)
Net cash (outflow) inflow from operating activities	**(31,732)**	10,164
Net cash inflow from investing activities	**–**	–
Net cash (outflow) inflow from financing activities	**(34,250)**	3,600
Net cash (outflow) inflow	**(65,982)**	13,764

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

	2019 RMB'000	2018 RMB'000
Current assets	**315,491**	402,166
Non-current assets	**80,311**	78,531
Current liabilities	**(105,144)**	(190,527)
Total equity	**290,658**	290,170
Equity attributable to owners of the Company	**261,301**	260,862
Non-controlling interests	**29,357**	29,308

	2019 RMB'000	2018 RMB'000
Revenue	**–**	209,909
Expenses	**(488)**	(101,829)
Profit for the year	**488**	108,080
Profit and total comprehensive income attributable to owners of the Company	**439**	97,162
Profit and total comprehensive income attributable to the non-controlling interests	**49**	10,918
Profit and total comprehensive income for the year	**488**	108,080
Net cash (outflow) inflow from operating activities	**(43,976)**	235,046
Net cash outflow from investing activities	**–**	(78,400)
Net cash outflow from financing activities	**(76,500)**	(34,600)
Net cash (outflow) inflow	**(120,476)**	122,046

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

	2019 RMB'000	2018 RMB'000
Current assets	**204,097**	71,010
Non-current assets	**67,193**	77,547
Current liabilities	**(161,213)**	(53,233)
Total equity	**110,077**	95,324
Equity attributable to owners of the Company	**90,043**	77,975
Non-controlling interests	**20,034**	17,349

	Year ended 31 December 2019 RMB'000	Period from 7.2.2018 (date of acquisition) to 31.12.2018 RMB'000
Revenue	**250,119**	60,757
Expenses	**(235,366)**	(61,215)
Profit (loss) for the year/period	**14,753**	(458)
Profit (loss) and total comprehensive expense attributable to owners of the Company	**12,068**	(374)
Profit (loss) and total comprehensive expense attributable to the non-controlling interests	**2,685**	(84)
Profit (loss) and total comprehensive expense for the year/period	**14,753**	(458)
Net cash outflow from operating activities	**(123,770)**	(28,692)
Net cash outflow from investing activities	**–**	(696)
Net cash inflow from financing activities	**125,250**	30,000
Net cash inflow	**1,480**	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

	2019 RMB'000	2018 RMB'000
Current assets	**117,664**	35,904
Non-current assets	**2**	3
Current liabilities	**(18,580)**	(5,900)
Total equity	**99,086**	30,007
Equity attributable to owners of the Company	**89,078**	26,976
Non-controlling interests	**10,008**	3,031

	Year ended 31 December 2019 RMB'000	Period from 21.6.2018 (date of establishment) to 31.12.2018 RMB'000
Revenue	**103,216**	46,963
Expenses	**(34,137)**	(16,955)
Profit for the year/period	**69,079**	30,008
Profit and total comprehensive income attributable to owners of the Company	**62,102**	26,977
Profit and total comprehensive income attributable to the non-controlling interests	**6,977**	3,031
Profit and total comprehensive income for the year/period	**69,079**	30,008
Net cash inflow from operating activities	**1,970**	3,218
Net cash outflow from investing activities	**–**	(3)
Net cash inflow from financing activities	**2,500**	1,000
Net cash inflow	**4,470**	4,215

35. OPERATING LEASE COMMITMENT

The Group as lessee

	31.12.2018 RMB'000
Minimum lease payments paid under operating lease commitment in respect of premise for the year	14,587

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:

	31.12.2018 RMB'000
Within one year	19,766
In the second to fifth year inclusive	18,897
Over five years	610
	39,273

As at 31 December 2018, the leases were generally negotiated for a lease term from 2 to 10 years.

36. NON-CASH TRANSACTION

During the year, the Group entered into new lease agreements for the use of leased office premises for 2 years. On the lease commencement, the Group recognised RMB303,000 of right-of-use assets and RMB303,000 lease liabilities.

37. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current asset		
Investments in subsidiaries	–	316
Amounts due from subsidiaries	85,873	–
	85,873	316
Current assets		
Bank balances and cash	135	–
Prepayment	1,110	307
Amounts due from subsidiaries	–	105,904
	1,245	106,211
Current liability		
Other payables	1,428	1,780
Net current (liabilities) assets	(183)	104,431
Net assets	85,690	104,747
Capital and reserves		
Share capital (note 26)	3,635	3,553
Reserves (note 38)	82,055	101,194
Total equity	85,690	104,747

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.

38. 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 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
Forfeiture of share options	–	–	(990)	–	(990)
Recognition of equity-settled share based payments	–	–	14,925	–	14,925
At 31 December 2018 and 1 January 2019	12,501	316	26,869	61,508	101,194
Loss and total comprehensive expense for the year	–	–	–	(43,194)	(43,194)
Exercise of share options	25,731	–	(8,054)	–	17,677
Forfeiture of share options	–	–	(291)	–	(291)
Recognition of equity-settled share based payments	–	–	6,669	–	6,669
At 31 December 2019	38,232	316	25,193	18,314	82,055

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.

39. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

The assessment of the impact of the Coronavirus Disease 2019

Since the outbreak of the novel coronavirus pneumonia ("COVID-19") in January 2020 and now has become a global health concern. Administrations from different countries have taken various measures in an effort to prevent and contain the spread.

The COVID-19 has impacted the business operation and overall economy of different regions and industries around the world. The outbreak might have had an impact on the Group's business operation in PRC to a certain extent but the extent would also depend on the duration of the epidemic, the implementation of regulatory policies and relevant protective measures.

The Group will stay alert on the development of COVID-19 and continue to assess its impact on the financial position and operation of the Group. We will take necessary action to mitigate any possible risk in business. As at the date of issuance of these consolidated financial statements, the assessment is still in progress and the actual financial effects, if any, will be reflected in the Group's financial statements in the future.

Summary of Financial Information

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	162,508	372,291	302,427	321,265	**344,766**
Profit before taxation	32,479	147,090	77,612	147,549	**85,704**
Taxation	(11,147)	(40,353)	(26,815)	(46,916)	**(31,964)**
Profit for the year	21,332	106,737	50,797	100,633	**53,740**

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	211,369	343,168	486,085	679,951	**618,694**
Total liabilities	(93,692)	(117,337)	(191,424)	(254,248)	**(132,232)**
Net assets	117,677	225,831	294,661	425,703	**486,462**

A summary of the Group's result for the five financial years and the assets and liabilities of the Group as at 31 December 2019, 2018, 2017, 2016 and 2015 as extracted from the published audited financial statements for the year ended 31 December 2019, 2018, 2017, 2016 and 2015, 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%