中國基礎能源控股有限公司
China Primary Energy Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8117)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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HIGHLIGHTS

Total revenue was approximately HK$91,646,000 for the year ended 31 December 2019 (2018: approximately HK$173,224,000), representing a decrease of approximately 47.1%.

Loss attributable to owners of the Company amounted to approximately HK$31,260,000 (2018: loss of approximately HK$10,717,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

AUDITED RESULTS

The board of directors (the "Board") of China Primary Energy Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Continuing operations			
Revenue	5	**91,646**	143,859
Other income and gains and losses	6	**1,154**	(1,403)
Changes in inventories of finished goods		**(55,301)**	(111,269)
Staff costs, including directors' remuneration	12	**(23,511)**	(26,077)
Depreciation		**(19,232)**	(13,229)
Amortisation of land use rights		**–**	(174)
Amortisation of other intangible assets		**(378)**	(378)
Gain arising from changes in fair value of investment properties		**1,260**	40,824
Gain on disposal of an associate		**8,394**	67
Impairment loss on goodwill		**(2,941)**	–
Impairment loss on trade receivables		**(4,304)**	(1,922)
Recovery of impairment loss on trade receivables previously recognised		**4,519**	–
Write-off of other receivables		**(1,593)**	–
Other operating expenses		**(27,886)**	(29,011)
Share of (loss)/profit of an associate		**(94)**	530
Finance costs	7	**(4,500)**	(3,763)
Loss before income tax	8(a)	**(32,767)**	(1,946)
Income tax	9	**(466)**	(9,499)
Loss from continuing operations		**(33,233)**	(11,445)
Discontinued operations			
Loss from discontinued operations	8(b)	**–**	(3,002)
Loss for the year		**(33,233)**	(14,447)
Attributable to:			
Owners of the Company			
– From continuing operations		**(31,260)**	(7,715)
– From discontinued operations		**–**	(3,002)
		(31,260)	(10,717)
Non-controlling interests		**(1,973)**	(3,730)
Loss for the year		**(33,233)**	(14,447)

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of properties transferred from property, plant and equipment and land use rights to investment properties, net of tax		**–**	26,856
Changes in fair value of equity instruments at fair value through other comprehensive income		**(7)**	(13)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(9,102)**	(19,626)
Share of other comprehensive income of an associate		**–**	97
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of an associate		**83**	–
Other comprehensive (loss)/income for the year		**(9,026)**	7,314
Total comprehensive loss for the year		**(42,259)**	(7,133)
Total comprehensive (loss)/income attributable to:			
Owners of the Company			
– From continuing operations		**(39,875)**	6,639
– From discontinued operations		**–**	(3,531)
Non-controlling interests		**(2,384)**	(10,241)
		(42,259)	(7,133)
Losses per share from continuing and discontinued operations	11		
– Basic		**(0.031)**	(0.011)
– Diluted		**(0.031)**	(0.011)
Losses per share from continuing operations	11		
– Basic		**Not applicable**	(0.008)
– Diluted		**Not applicable**	(0.008)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**152,815**	264,935
Investment properties		**210,614**	196,513
Land use rights		**–**	18,373
Goodwill		**17,631**	28,042
Other intangible assets		**2,427**	2,822
Interest in an associate		**–**	3,715
Equity instruments measured at fair value through other comprehensive income		**13**	20
Total non-current assets		**383,500**	514,420
Current assets			
Inventories	13	**4,402**	2,748
Trade receivables	14	**10,826**	31,442
Other receivables, deposits and prepayments	15	**52,508**	85,117
Investments held for trading		**94**	299
Cash and cash equivalents		**8,178**	38,588
		76,008	158,194
Assets classified as held for sale		**181,219**	–
Total current assets		**257,227**	158,194
Total assets		**640,727**	672,614
Current liabilities			
Trade payables	16	**11,627**	22,083
Other payables and accruals		**82,592**	110,681
Financial liabilities at fair value through profit or loss		**14,746**	12,907
Loans from a major shareholder		**35,893**	398
Obligations under finance leases		**–**	6,733
Lease liabilities		**7,526**	–
Borrowings		**34,509**	52,936
Tax payable		**393**	493
		187,286	206,231
Liabilities classified as held for sale		**22,015**	–

	2019	2018
	HK$'000	*HK$'000*
Total current liabilities	**209,301**	206,231
Net current assets/(liabilities)	**47,926**	(48,037)
Non-current liabilities		
Loans from a major shareholder	**–**	13,246
Deferred tax liabilities	**27,196**	27,154
Obligations under finance leases	**–**	2,956
Lease liabilities	**10,060**	–
Borrowings	**24,610**	–
Total non-current liabilities	**61,866**	43,356
Total liabilities	**271,167**	249,587
NET ASSETS	**369,560**	423,027
Equity		
Share capital	**63,999**	63,999
Reserves	**286,802**	338,737
Equity attributable to owners of the Company	**350,801**	402,736
Non-controlling interests	**18,759**	20,291
TOTAL EQUITY	**369,560**	423,027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Equity attributable to owners of the Company											
	Share capital *HK$'000*	Share premium account *HK$'000*	Convertible bonds equity reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Exchange translation reserve *HK$'000*	Share option reserve *HK$'000*	Property revaluation reserve *HK$'000*	Financial assets at fair value through other comprehensive reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at1 January 2018	58,181	657,018	80,179	5,109	42,226	28,525	7,656	–	(565,218)	313,676	30,532	344,208
Loss for the year	–	–	–	–	–	–	–	–	(10,717)	(10,717)	(3,730)	(14,447)
Other comprehensive income:												
Exchange differences on translation of foreign operations	–	–	–	–	(13,018)	–	–	–	–	(13,018)	(6,511)	(19,529)
Surplus on revaluation of properties transferred from property, plant and equipment and land use rights to investment properties, net of tax	–	–	–	–	–	–	26,856	–	–	26,856	–	26,856
Changes in fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	(13)	–	(13)	–	(13)
Total comprehensive income	–	–	–	–	(13,018)	–	26,856	(13)	(10,717)	3,108	(10,241)	(7,133)
Equity-settled share-based transactions	–	–	–	–	–	9,777	–	–	–	9,777	–	9,777
Lapse of share options	–	–	–	–	–	(5,884)	–	–	5,884	–	–	–
Subscription of shares	5,818	70,357	–	–	–	–	–	–	–	76,175	–	76,175
Balance at 31 December 2018	63,999	727,375	80,179	5,109	29,208	32,418	34,512	(13)	(570,051)	402,736	20,291	423,027

	Equity attributable to owners of the Company											
	Share capital ***HK$'000***	**Share premium account** ***HK$'000***	**Convertible bonds equity reserve** ***HK$'000***	**Statutory surplus reserve** ***HK$'000***	**Exchange translation reserve** ***HK$'000***	**Share option reserve** ***HK$'000***	**Property revaluation reserve** ***HK$'000***	**Available-for-sale financial assets reserve** ***HK$'000***	**Accumulated losses** ***HK$'000***	**Total** ***HK$'000***	**Non-controlling interests** ***HK$'000***	**Total equity** ***HK$'000***
Balance at 31 December 2018 and at 1 January 2019	**63,999**	**727,375**	**80,179**	**5,109**	**29,208**	**32,418**	**34,512**	**(13)**	**(570,051)**	**402,736**	**20,291**	**423,027**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(31,260)**	**(31,260)**	**(1,973)**	**(33,233)**
Other comprehensive income:												
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(8,608)**	**-**	**-**	**-**	**-**	**(8,608)**	**(411)**	**(9,019)**
Changes in fair value of equity instruments at fair value through over comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**(7)**	**-**	**(7)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(8,608)**	**-**	**-**	**(7)**	**(31,260)**	**(39,875)**	**(2,384)**	**(42,259)**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(7,365)**	**-**	**-**	**7,365**	**-**	**-**	**-**
Acquisition of non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,060)**	**(12,060)**	**(1,299)**	**(13,359)**
Contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,151**	**2,151**
Balance at 31 December 2019	**63,999**	**727,375**	**80,179**	**5,109**	**20,600**	**25,053**	**34,512**	**(20)**	**(606,006)**	**350,801**	**18,759**	**369,560**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Suite 701, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, and property investment primarily in the People's Republic of China ("PRC"), and trading of electronic components in Hong Kong.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRS 16	Leases
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

HKFRS 16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has adopted HKFRS 16 using the cumulative effect approach from the date of initial application of 1 January 2019. Under this approach, certain opening account balances were reclassified or adjusted as detailed below at 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	56,547
Non-current portion of land use rights	(18,373)
Current portion of land use rights included in other receivables, deposits and prepayments	(742)
Lease liabilities (non-current)	14,773
Lease liabilities (current)	5,427
Obligations under finance leases (non-current)	(2,956)
Obligations under finance leases (current)	(6,733)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as at 31 December 2018	11,776
Less: short term leases for which lease terms end within 31 December 2019	(786)
Less: future interest expenses	(481)
Add: finance leases liabilities as of 31 December 2018	9,689
Add: exchange realignment	2
Total lease liabilities as of 1 January 2019	20,200

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 9%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate 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, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at cost less accumulated depreciation and any accumulated impairment loss. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as adjustments to certain opening account balances at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recongised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied practical expedient on its assessment of whether leases are onerous applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application by the amount of any provision for onerous leases recognised in the consolidated statement of financial position immediately before the date of initial application.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased a motor vehicle and certain plant and machinery which previously were classified as finance leases under HKAS 17. The Group has elected to adopt the cumulative effect method upon the adoption of HKFRS 16 as of 1 January 2019. The Group did not change the initial carrying amounts of recognised leased assets and liabilities at the date of initial application of leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e. obligations under finance leases) measured under HKAS 17.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The adoption of the interpretation has no impact on the Group's financial statements as the Group did not have any uncertain tax positions.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The adoption of these amendments has no impact on the Group's financial statements as the Group does not have any prepayable financial assets with negative compensation.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

The adoption of these amendments has no impact on the Group's financial statements as the Group does not have any joint operations.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The adoption of these amendments has no impact on the Group's financial statements as the Group does not have any dividends recognised during the year.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of these amendments has no impact on the Group's financial statements as the Group does not have any borrowing costs that fulfilled the capitalisation requirements in accordance to HKAS 23.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group does not expect the adoption of these amendments will result in a significant impact on the Group's results and financial position.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The Group does not expect the adoption of these amendments will result in a significant impact on the Group's results and financial position.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group does not expect the adoption of these amendments will result in a significant impact on the Group's results and financial position.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Group's financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

(b) Basis of measurement

The Group's financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair values.

4. SEGMENT REPORTING

The Group determines its operating segments based on the reports that are used by the chief operating decision-maker to make strategic decisions.

The Group has three reportable segments for the years ended 31 December 2019 (2018: four). The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations of each of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15

- Transmission and distribution of natural gas
- Trading of electronic components
- Manufacture and sale of PE pipes (ceased its business in 2018)

Revenue from other sources

- Property investment

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment transfer of non-current assets are priced at net book value as at transfer date. There was no inter-segment sale or transfer during the years ended 31 December 2019 and 2018. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

(a) Reportable segments

For the year ended 31 December 2019

	Transmission and distribution of natural gas *HK$'000*	**Trading of electronic components** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**66,452**	**14,242**	**10,952**	**91,646**
Reportable segment (loss)/profit	**(3,685)**	**(1,749)**	**7,148**	**1,714**
Reportable segment assets	**331,596**	**4,164**	**253,016**	**588,776**
Reportable segment liabilities	**(68,039)**	**(1,528)**	**(65,751)**	**(135,318)**
Other segment information:				
Bank interest income	**10**	**35**	**4**	**49**
Unallocated				**8**
Total bank interest income				**57**
Share of loss of an associate	**(94)**	**–**	**–**	**(94)**
Gain on disposal of an associate	**8,394**	**–**	**–**	**8,394**
Depreciation	**(14,584)**	**–**	**(1,712)**	**(16,296)**
Unallocated				**(2,936)**
Total depreciation				**(19,232)**
Amortisation of other intangible assets	**(378)**	**–**	**–**	**(378)**
Impairment loss on goodwill	**(2,941)**	**–**	**–**	**(2,941)**
Recovery of impairment loss on trade receivables previously recognised	**44**	**–**	**–**	**44**
Unallocated				**4,475**
Total recovery of impairment loss on trade receivables previously recognised				**4,519**
Impairment loss on trade receivables	**(32)**	**(849)**	**–**	**(881)**
Unallocated				**(3,423)**
Total impairment loss on trade receivables				**(4,304)**
Write off of other receivable	**(1,187)**	**–**	**–**	**(1,187)**
Unallocated				**(406)**
Total write off of other receivable				**(1,593)**
Bad debt recovery	**433**	**–**	**–**	**433**
Unallocated				**960**
Total bad debt recovery				**1,393**
Gain/(loss) on disposal of property, plant and equipment	**–**	**160**	**(957)**	**(797)**
Gain arising from changes in fair value of investment properties	**–**	**–**	**1,260**	**1,260**
Additions to non-current assets	**33,586**	**–**	**22,801**	**56,387**
Unallocated				**1,698**
Total additions to non-current assets				**58,085**

For the year ended 31 December 2018

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas *HK$'000*	Trading of electronic components *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Manufacture and sale of PE pipes *HK$'000*	Total *HK$'000*
Revenue from external customers	55,752	85,460	2,647	143,859	29,365	173,224
Reportable segment (loss)/profit	(5,768)	63	44,586	38,881	(3,002)	35,879
Reportable segment assets	324,444	10,757	232,976	568,177	9,916	578,093
Reportable segment liabilities	(57,040)	(16,582)	(81,398)	(155,020)	(3,503)	(158,523)
Other segment information:						
Bank interest income	12	5	–	17	96	113
Unallocated						51
Total bank interest income						164
Share of profit of an associate	530	–	–	530	–	530
Gain on partial disposal of an associate	67	–	–	67	–	67
Depreciation	(12,255)	(645)	–	(12,900)	(3,122)	(16,022)
Unallocated						(329)
Total depreciation						(16,351)
Amortisation of land use rights	(174)	–	–	(174)	(440)	(614)
Amortisation of other intangible assets	(378)	–	–	(378)	–	(378)
Recovery of impairment loss on trade receivables previously recognised	–	–	–	–	3,312	3,312
Impairment loss on trade receivables	(735)	(300)	(887)	(1,922)	(4,345)	(6,267)
Reversal of impairment loss on inventories	–	–	–	–	2,215	2,215
Gain on disposal of property, plant and equipment	–	–	–	–	2,981	2,981
Gain arising from changes in fair value of investment properties	–	–	40,824	40,824	–	40,824
Interest in an associate	3,715	–	–	3,715	–	3,715
Additions to non-current assets	13,880	–	58,599	72,479	306	72,785

(b) Reconciliation of reportable segment profit, assets and liabilities

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax and discontinued operations		
Total reportable segment's profit	**1,714**	35,879
Segment loss from discontinued operations	**–**	3,002
Unallocated other income and gains and losses	**(1,831)**	(4,874)
Corporate and other unallocated expenses	**(28,150)**	(32,190)
Finance costs	**(4,500)**	(3,763)
Consolidated loss before income tax from continuing operations	**(32,767)**	(1,946)

	2019	2018
	HK$'000	*HK$'000*
Assets		
Total reportable segment's assets	**588,776**	578,093
Cash and cash equivalents	**8,178**	38,588
Unallocated corporate assets	**43,773**	55,933
Consolidated total assets	**640,727**	672,614

	2019	2018
	HK$'000	*HK$'000*
Liabilities		
Total reportable segment's liabilities	**(135,318)**	(158,523)
Deferred tax liabilities	**(27,196)**	(27,154)
Unallocated corporate liabilities	**(108,653)**	(63,910)
Consolidated total liabilities	**(271,167)**	(249,587)

(c) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time, and earns management fee for natural gas transportation over time, and rental income which is recognised over the term of the relevant lease.

The Group derives revenue in the following product lines and geographical regions.

For the year ended 31 December 2019

	Continuing operations				Discontinued operations	
	Transmission and distribution of natural gas *HK$'000*	Trading of electronic components *HK$'000*	Property investment *HK$'000*	Total *HK$'000*	Manufacture and sale of PE pipes *HK$'000*	Total *HK$'000*
Primary geographical markets						
Hong Kong	**–**	**14,242**	**–**	**14,242**	**–**	**14,242**
PRC	**66,452**	**–**	**10,952**	**77,404**	**–**	**77,404**
	66,452	**14,242**	**10,952**	**91,646**	**–**	**91,646**
Major products/services						
Sales of goods	**56,233**	**14,242**	**–**	**70,475**	**–**	**70,475**
Management fee for natural gas transportation	**10,219**	**–**	**–**	**10,219**	**–**	**10,219**
Rental income	**–**	**–**	**10,952**	**10,952**	**–**	**10,952**
	66,452	**14,242**	**10,952**	**91,646**	**–**	**91,646**
For the year ended 31 December 2018						
Primary geographical markets						
Hong Kong	–	85,460	–	85,460	–	85,460
PRC	55,752	–	2,647	58,399	29,365	87,764
	55,752	85,460	2,647	143,859	29,365	173,224
Major products/services						
Sales of goods	32,107	85,460	–	117,567	29,365	146,932
Management fee for natural gas transportation	23,645	–	–	23,645	–	23,645
Rental income	–	–	2,647	2,647	–	2,647
	55,752	85,460	2,647	143,859	29,365	173,224

The following table provides an analysis of the Group's revenue from external customers.

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**14,242**	85,460
PRC (place of domicile)	**77,404**	87,764
	91,646	173,224

(d) Information about major customers

For the year ended 31 December 2019, revenue from a customer in trading of electronic components and a customer in transmission and distribution of natural gas segment amounted to HK$14,242,000 and HK$38,802,000 respectively. Each of these two customers contributed to 10% or more of the Group's total revenue.

For the year ended 31 December 2018, revenue from a customer in the trading of electronic components segment amounted to HK$85,417,000 and a customer in transmission and distribution of natural gas segment amounted to HK$23,419,000. Each contributed to 10% or more of the Group's total revenue.

5. REVENUE

An analysis of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Revenue from contracts with customers		
Transmission and distribution of natural gas	**66,452**	55,752
Sales of electronic components	**14,242**	85,460
Revenue from other sources		
Gross rental income	**10,952**	2,647
	91,646	143,859
Discontinued operations		
Revenue from contracts with customers		
Sales of PE pipes	**–**	29,365
	91,646	173,224

Trade receivables from contracts with customers as at 31 December 2019 amounted to HK$11,735,000 (2018: HK$31,442,000).

6. OTHER INCOME AND GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Sundry income	**2,439**	2,721
Bad debt recovery	**1,393**	–
Exchange gains, net	**126**	155
Bank interest income	**57**	68
Reversal of impairment loss on property, plant and equipment	**–**	2,002
Written off of property, plant and equipment	**(20)**	(1,352)
Fair value loss on investments held for trading	**(205)**	(101)
Loss on disposal of property, plant and equipment	**(797)**	–
Change in fair value of financial liabilities at fair value through profit or loss	**(1,839)**	(4,896)
	1,154	(1,403)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank loans and other borrowings	**2,461**	2,489
Interest on loans from a major shareholder	**1,216**	207
Interest on lease liabilities	**823**	–
Interest on finance leases	**–**	1,067
	4,500	3,763

8. LOSS BEFORE INCOME TAX

(a) Loss before income tax is arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories sold	**62,577**	121,102
Auditor's remuneration	**1,560**	1,520
Minimum operating lease payments for leases previously classified as operating leases under HKAS 17	**–**	4,340
Short-term lease expenses	**1,023**	–
Depreciation of property, plant and equipment		
– Owned	**13,204**	8,197
– Right-of-use assets *(Note)*	**6,028**	–
– Held under finance leases	**–**	5,032
	19,232	13,229
Equity-settled share-based payments to the consultants of the Group	**–**	7,200

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The amortised carrying amount of land use rights and depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use assets. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated (Note 2(a)(i)).

(b) Discontinued operations

During the year ended 31 December 2018, the Group ceased its manufacture and sale of PE pipes business in light of the persistently net loss suffered by the Group. Plant and machinery and inventories related to this business had been disposed of or written off, and the employees were redundant during the year ended 31 December 2018. Consequently, this operation had been discontinued.

	2018 *HK$'000*
Revenue	29,365
Other income	3,773
Expenses	(36,140)
Loss before income tax	(3,002)
Income tax	–
Loss for the year from discontinued operations	(3,002)
Operating cash flows	(35,383)
Investing cash flows	2,675
Financing cash flows	–
Total cash flows	(32,708)

9. INCOME TAX

	2019 ***HK$'000***	2018 *HK$'000*
Current tax – PRC		
– tax for the year	**151**	357
– over provision in respect of prior years	**–**	(1,064)
	151	(707)
Deferred tax liabilities		
– current year	**315**	10,206
Total income tax for the year	**466**	9,499

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong subsidiaries during the current and prior years.

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Company's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2019	2018
	HK$'000	*HK$'000*
Loss from continuing operations before income tax	**(32,767)**	(1,946)
Loss from discontinued operations before income tax	**–**	(3,002)
Loss before income tax	**(32,767)**	(4,948)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2018: 25%)	**(8,192)**	(1,237)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,498**	2,186
Tax effect of expenses not deductible for taxation purposes	**6,902**	6,392
Tax effect of non-taxable items	**(3,710)**	(873)
Tax effect of unused tax losses and other temporary differences not recognised	**7,461**	4,968
Utilisation of previously unrecognised tax losses	**(3,493)**	(873)
Over provision in respect of prior years	**–**	(1,064)
Income tax for the year	**466**	9,499

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

11. LOSS PER SHARE

From continuing and discontinued operations

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(31,260)**	(10,717)

From continuing operations

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

	2019	2018
	HK$'000	*HK$'000*
Loss for the year from continuing and discontinued operations	**(31,260)**	(10,717)
Less: loss for the year from discontinued operations	**–**	(3,002)
Loss from continuing operations	**(31,260)**	(7,715)

The denominator used for both loss per share from continuing and discontinued operations is the weighted average number of ordinary shares of 1,023,987,000 (2018: 1,006,900,000) in issue during the year.

The computation of diluted losses per share for the years ended 31 December 2019 and 2018 does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their conversion and exercise had an anti-dilutive effect on the basic loss per share. Accordingly, the basic and diluted loss per share for the years ended 31 December 2019 and 2018 are the same.

From discontinued operations

Basic and diluted losses per share from the discontinued operation is HK$0.003 per share, based on the loss for the year ended 31 December 2018 from the discontinued operations.

Diluted earnings per share are the same as basic earnings per share for the years ended 31 December 2018 since the denominators used are the same as those detailed above for both basic and diluted losses per share.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**21,934**	24,646
Retirement benefit scheme contributions	**1,577**	2,126
Equity-settled share-based payment expenses	**–**	2,577
	23,511	29,349
Staff costs, including directors' remuneration is attributable to:		
– Loss from continuing operations	**23,511**	26,077
– Loss from discontinued operations	**–**	3,272
	23,511	29,349

13. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**4,592**	2,748
Classified as held for sale	**(190)**	–
	4,402	2,748

For the year ended 31 December 2018, the Group made a reversal of provision of HK$ 2,215,000 to increase the carrying amount of finished goods to their net realisable value.

14. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**20,104**	40,727
Less: provision for impairment	**(6,926)**	(9,285)
	13,178	31,442
Classified as held for sale	**(2,352)**	–
	10,826	31,442

(a) For the trading of electronic components, no credit term is granted to the customers as payment is due when the sales invoices were issued to customers. For the business of transmission and distribution of natural gas, credit terms are within 30 days to 60 days. For the business of property investment, the Group granted a credit period of 30 days to the tenants. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

(b) The table below reconciled the provision for impairment loss of trade receivables for the year:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**9,285**	36,831
Amount written off during the year	**(1,972)**	(28,597)
Impairment loss recognised *(Note)*	**4,304**	6,267
Recovery of impairment loss previously recognised	**(4,519)**	(3,312)
Exchange realignment	**(172)**	(1,904)
At 31 December	**6,926**	9,285

Note: During the year, the Group recognised the impairment loss of trade receivables of HK$1,797,000 (2018: HK$4,264,000) by using the lifetime ECL provision to measure collectively for customers who are not being assessed individually under HKFRS 9. On the other hand, the Group individually assessed the credit loss of trade receivables which have been long outstanding and management assessed them to be irrecoverable. As at 31 December 2019, impairment loss of these trade receivables of HK$2,507,000 (2018: HK$2,003,000) was recognised.

(c) An ageing analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**9,960**	7,039
31 – 60 days	**200**	2,603
61 – 90 days	**–**	4,935
Over 90 days	**3,018**	16,865
	13,178	31,442

(d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	2019 HK$'000	2018 HK$'000
Not past due	**5,367**	7,325
Less than 31 days past due	**4,793**	1,357
31 – 60 days past due	**–**	4,711
61 – 90 days past due	**–**	1,361
Over 90 days but less than 1 year past due	**974**	12,016
More than 1 year past due	**2,044**	4,672
	7,811	24,117
	13,178	31,442

(e) As at 31 December 2019, trade receivables of HK$913,000 were pledged to secure a bank loan granted to the Group.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Other receivables and deposits	**30,609**	50,526
Finance lease deposits	**–**	3,256
Value added tax recoverable	**20,411**	18,530
Loan to a non-controlling shareholder *(Note)*	**1,119**	–
Prepayments	**15,736**	13,762
	67,875	86,074
Less: provision for impairment loss on other receivables and prepayments	**(957)**	(957)
	66,918	85,117
Classified as held for sale	**(14,410)**	–
	52,508	85,117

Note:

This is unsecured, interest-bearing at 8% per annum and will be repayable on 26 June 2020.

The below table reconciled the provision for impairment loss on other receivables and prepayments for the year:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**957**	11,325
Amounts written off during the year	**–**	(9,782)
Exchange realignment	**–**	(586)
At 31 December	**957**	957

16. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**6,452**	251
31 – 60 days	**–**	1,183
61 – 90 days	**–**	3,513
Over 90 days	**5,175**	17,136
	11,627	22,083

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the year ended 31 December 2019 decreased when compared to the corresponding period in 2018. Such decrease was mainly due to (i) the decrease in revenue of the trading business; and (ii) there was no contribution of revenue from the discontinued operation in 2019. The demand of the electronic components reduced significantly during 2019 when compared to the corresponding period of last year. The decrease mainly due to the uncertainty arised from the US-China trade war. However, impact of such decrease in revenue on the performance and financial result of the Group was not so material. The board (the "Board") of directors (the "Director(s)") believes that revenue of the Group will be improved with the stable development of the clean energy business. As a result, the results of the Group will be improved accordingly.

The natural gas business is still the core business of the Group. Operating scale of the natural gas business segment continued to grow in 2019. The government of the People's Republic of China (the "PRC") has implemented the policies to encourage the use of clean energy in the PRC and the Board considered the prospect of natural gas business is bright. Those policies included the process to change the use of petrol and oil to natural gas for vehicles and industrial users, the set up of the natural gas network department, etc. The Group operated the natural gas business in various areas and provinces in the PRC in 2019. Our customers are mostly industrial customers.

With the Group's experience and network in the natural gas business, the Group has been making good use of natural gas synergy effect in its business development, and has been focusing on natural gas-related clean energy projects. Natural gas combined heat and power cogeneration business is one of the Group's development direction. After years of research and negotiation, the Group has commenced its investment in natural gas combined heat and power cogeneration plant. The Group believes that with the current natural gas distribution and transmission business, the development of natural gas combined heat and power cogeneration business and other natural gas-related clean energy businesses, it is expected that the Group's performance and profitability will be greatly improved in the future.

As a result of business transformation of the subsidiaries in Yichang, the manufacturing segment ceased to operate in the third quarter of 2018. In order to broaden the revenue sources of the Group, after years of investigation, the Group started its letting business in Yichang since 2017. Property investment became a new business segment of the Group. From September 2018 onwards, the land and buildings held by the Company's wholly-owned subsidiaries at Yao Ting District, Yichang City, the PRC (the "Property") was named as China Primary Sky Valley Vehicle Parts Industrial Park# (中基天谷汽車零部件產業園) ("China Primary Sky Valley Industrial Park"). The naming is in line with the business transformation on the Property by the Group in 2017. China Primary Sky Valley Industrial Park locates nearby Yichang Sanxia Airport. The whole park's area is approximately 213,000 square metres and the area let out is approximately 87,000 square metres. In order to facilitate the development of Yao Ting District by the Yichang City government, the naming of China Primary Sky Valley Industrial Park can make the position of the Property clearer. Together with systematic planning and renovation, the naming can implement the achievement of the target to earn rental income. Tenants are mostly manufacturers of vehicle parts and are moving into China Primary Sky Valley Industrial Park successively.

The outbreak of Coronavirus disease ("COVID-19") is a challenge to the global economy and to most of the industries. It is anticipated that the global economy will be significantly affected. Luckily, the impact of the COVID-19 to the Group is expected not to be so direct and significant as our business of natural gas distribution and property investment relied more on customers' internal demand and natural gas is necessity. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group's operations and operating results.

In view of the unstable global economy, the Board and management will be more careful and prudent in managing the operations of the Group. In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

Disposal of Fujian Province Minsheng Gas Company Limited

On 25 January 2019, China Primary (Shenzhen) Energy Technology Company Limited# (中基(深圳)能源技術有限公司) (the "Seller"), a subsidiary of the Company, entered into an equity transfer agreement with Xinao Gas Development Company Limited# (新奧燃氣發展有限公司) (the "Purchaser"), an independent third party, pursuant to which, the Seller agreed to sell and the Purchaser agreed to purchase the 21% share capital of Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) held by the Seller at a consideration of RMB10,500,000. The transaction was completed on 12 February 2019, Fujian Province Minsheng Gas Company Limited# (福建省閩昇燃氣有限公司) is no longer an associated company of the Company.

Disposal of Wuhu China Primary Natural Gas Pipeline Company Limited

On 27 December 2019, China Primary Sky Valley (Yichang) Composites Co., Ltd.# (中基天谷(宜昌)複合材料有限公司) (the "Vendor") entered into the sale and purchase agreement with Fanchang County Nantian Electricity Company Limited# (繁昌縣南添電力有限公司) (the "Purchaser") pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire 83% registered capital of Wuhu China Primary Natural Gas Pipeline Company Limited# (蕪湖中基天然氣管道有限公司) (the "Target Company") (the "Disposal") for a total cash consideration of RMB82,200,000 (equivalent to approximately HK$92,400,000).

The Vendor is a limited liability company established in the PRC and the indirect wholly owned subsidiary of the Company.

The Purchaser is a company established in the PRC and is principally engaged in electricity, heat and cold related infrastructure investment and operations, construction and management of natural gas supply pipelines. The ultimate beneficial owners of the Purchaser are Ms. Li Lei# (李蕾) (90%) and Mr. Shi Linghang# (史領航) ("Mr. Shi") (10%) respectively.

Before Completion, the Target Company has a registered and paid up capital of RMB50,000,000 which is owned as to 83% by the Vendor and the remaining 17% by Mr. Shi.

The Disposal was completed on 6 March 2020. Accordingly, the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company no longer be consolidated into the financial statements of the Group.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal (including the relevant legal costs and printing expenses of total approximately HK$800,000), the net proceeds from the Disposal would be approximately HK$91,600,000.

Reference are made to the announcements of the Company dated 30 December 2019 and 7 January 2020 and the circular of the Company dated 13 February 2020 which provide further details relating to the Disposal.

FINANCIAL REVIEW

Total revenue was approximately HK$91,646,000 for the year ended 31 December 2019, which represented a decrease of approximately 47.1% when compared with last year's total revenue of approximately HK$173,224,000. The Board believes that revenue of the Group will be improved with the growing of the natural gas business and increase in contribution from the rental and trading business.

During the year under review, audited loss before income tax was approximately HK$32,767,000 (2018: loss of approximately HK$4,948,000). The loss attributable to owners of the Company was approximately HK$31,260,000 (2018: loss of approximately HK$10,717,000). Loss incurred in 2019 was mainly because of the relatively high operating expenses, such as depreciation and other selling expenses. In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders.

BUSINESS OUTLOOK AND PROSPECTS

From 2020 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment, the trading segment and the property investment segment. Currently, the energy segment mainly consists of the natural gas business. The Group has developed a strong natural gas sales network. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will become the core business segment of the Group in the near future.

The land and properties in Yichang will continue to be let out to generate rental income.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, net assets of the Group were approximately HK$369,560,000 (2018: approximately HK$423,027,000) while its total assets were approximately HK$640,727,000 (2018: approximately HK$672,614,000) including cash and bank balances of approximately HK$9,449,000 (2018: approximately HK$38,588,000).

FUNDING ACTIVITIES DURING THE YEAR

The Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2019, current assets of the Group amounted to approximately HK$257,227,000 which included cash and bank balances of approximately HK$2,143,000 and approximately RMB5,395,000 (equivalent to HK$6,035,000), while current liabilities stood at approximately HK$209,301,000. The Group has external borrowings of approximately HK$59,119,000. Equity attributable to owners of the Company amounted to approximately HK$350,801,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 17% (borrowings to equity attributable to owners of the Company) as of 31 December 2019.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposits were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. Exchange risk is not significant as the Group conducts business in PRC and does not have import and export business. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, certain of the Group's investment properties, land use rights and trade receivables were pledged as security for the Group's borrowing, and the Group did not have any significant contingent liabilities.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 4 to this annual results announcement.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on GEM of the Stock Exchange on 13 December 2001. As at 31 December 2019, the issued share capital of the Company was made up of 1,023,987,439 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies during the year under review.

SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not made any significant investment during the year ended 31 December 2019. No material plan for future investment was noted as at the date of this annual results announcement.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 9 full-time employees working in Hong Kong and 132 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK$23,511,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

During the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and Code Provisions C.3.3 and C.3.7 of the Code Governance Code (the "Code"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year under review, the Audit Committee chaired by Mr. Wan Tze Fan Terence, comprises two other members, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2019, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2019 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Code for the year ended 31 December 2019 contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

For the year 2019, the Company did not have an officer with the title of "Chief Executive". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of some of the Company's operating subsidiaries. This constitutes a deviation of Code Provision A.2.1. The Board holds the view that this arrangement is appropriate for the Company but the Company does not compromise accountability and independent decision making for this since the Company has an audit committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

Code Provision A.4.1

Code Provision A.4.1 stipulates that the non-executive Directors should be appointed for a specific term, subject to re-election.

During the year under review, the Company has one non-executive Director, Mr. Ji Jianghua and three independent non-executive Directors, they are Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing.

Except for Mr. Ji Jianghua, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Company's articles of association. The Board has discussed and concluded that the current practice of appointing non-executive Directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

By Order of the Board
China Primary Energy Holdings Limited
Ma Zheng
Chairman

Hong Kong, 23 March 2020

[#] *For identification only*

As at the date of this announcement, the Board comprises Ms. MA Zheng and Mr. WONG Pui Yiu who are the executive Directors, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. WANG Xiao Bing who are the independent non-executive Directors.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its publication and on the Company's designated website at http://china-p-energy.etnet.com.hk.