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

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 8246)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND DEFERRAL OF PUBLICATION OF ANNUAL REPORT

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

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

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

This announcement, 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 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 announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- The revenue of the Group from continuing operations amounted to RMB 344.8 million, representing an increase of 7.3% from RMB321.3 million for the Previous Year.
- The profit and total comprehensive income attributable to owners of the Company from continuing and discontinued operations was RMB44.2 million for the Current Year, representing a decrease of 46.7% from RMB82.9 million for the Previous Year.
- The Board did not recommend any payment of dividend for the Current Year (Previous Year: HKD0.5 cents).
- Basic and diluted earnings per share for the year ended 31 December 2019 amounted to RMB1.3 cents and RMB1.2 cents respectively (Basic and diluted earnings per share for the Previous Year: RMB2.4 cents and RMB2.3 cents respectively).

DEFERRAL OF PUBLICATION OF ANNUAL REPORT

Due to the COVID-19 outbreak, restrictions had been imposed on travel and work arrangements in the PRC. As a result, operations at the offices of the Company's personnel, customers, service providers and banks located in the PRC have been affected. Most of the audit confirmations required to complete the audit process cannot be obtained by mid of March 2020. This inevitably causes delay in the subsequent auditing process and the publication of the financial results of the Group. The Company considers it the utmost importance to give priority to the health and safety of all personnel, including auditors, accounting and other personnel. Hence, the publication and dispatch of the annual report of the Company for the year ended 31 December 2019 needs to be postponed accordingly. The Company currently expects that the annual report of the Company for the year ended 31 December 2019 will be dispatched to its shareholders and published on the websites of GEM (www.hkgem.hk) and the Company (www.8246hk.com) on or before 20 April 2020.

FINANCIAL HIGHLIGHTS

The board of Directors (the "Board") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, 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**	RMB0.44cents	HK$0.50cents	N/A

	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.

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	3	**344,766**	321,265
Cost of sales		**(227,534)**	(148,966)
Gross profit		**117,232**	172,299
Other income	4	**18,864**	20,248
Other gains and losses	5	**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	8	**85,704**	147,549
Income tax expense	9	**(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	7	**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	11		
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		**67,787**	80,650
Investment properties		**9,910**	9,910
Right-of-use assets		**4,148**	–
Rental deposits		**400**	1,465
Interest in an associate		**–**	–
Amount due from an associate		**–**	–
		82,245	92,025
Current assets			
Inventories		**–**	3,459
Trade and other receivables	*12*	**516,842**	378,460
Bank balances and cash		**19,607**	206,007
		536,449	587,926
Current liabilities			
Trade and other payables	*13*	**114,677**	218,068
Contract liabilities		**4,149**	9,569
Amount due to a shareholder		**–**	2,726
Tax liabilities		**9,204**	23,885
Lease liabilities		**2,516**	–
		130,546	254,248
Net current assets		**405,903**	333,678
Non-current liabilities			
Lease liabilities		**1,686**	–
Net assets		**486,462**	425,703
Capital and reserves			
Share capital		**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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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 assets and liabilities through acquisition of a non-wholly owned subsidiary	–	–	–	–	–	–	17,433	17,433
Exercise of share options	13	4,261	(1,340)	–	–	2,934	–	2,934
Forfeiture of share options	–	–	(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	**82**	**25,731**	**(8,054)**	**–**	**–**	**17,759**	**–**	**17,759**
Forfeiture of share options	**–**	**–**	**(291)**	**–**	**–**	**(291)**	**–**	**(291)**
Recognition of equity-settled share based payments	**–**	**–**	**6,669**	**–**	**–**	**6,669**	**–**	**6,669**
Dividend recognised as distribution	**–**	**–**	**–**	**(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**

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 7. 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.

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

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

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	Annual Improvements to IFRS 2015 – 2017 Cycle

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.

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:

		At 1 January 2019
	NOTE	***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.

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	Adjustments	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	***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 recongnised at the date of initial application, 1 January 2019.

There is no material impact on application of IFRS16 for the Group as lessor, on the Group's financial position and performance for the current year.

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.

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 for 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 amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

3. 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**	2018
	RMB'000	*RMB'000*
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
Trading 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	2018
	RMB'000	*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:

(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, trading 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

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. 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.

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.

4. 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.

5. OTHER GAINS AND LOSSES

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

6. 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 7)*	115

7. 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.

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	*6*	**–**	(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 11 for both basic and diluted earnings per share.

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

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

	RMB'000
Property, plant and equipment	1,725
Right-of-use assets	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)

8. 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	**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

9. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2019	2018
	RMB'000	*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.

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%.

10. 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.

11. 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	2018
	RMB'000	*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	2018
	'000	*'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	2018
	RMB'000	*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.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*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, construction related and consultancy work.

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

The aged analysis of the Group's trade receivables for the 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	2018
	RMB'000	*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.

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables for trading of industrial products and trading 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.

13. 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	2018
	RMB'000	*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.

14. 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.

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

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

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

15. 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 a 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 this announcement, the assessment is still in progress.

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 financial 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 year ended 31 December 2019 (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 liquefied natural gas ("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 main 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 contracts 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.

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.

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 Investments	**–**	–	–
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
	%	%
New Energy Business	**33.9%**	53.6%
Property Investments	**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 on LNG supplies 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 Investments segment was 100% (Previous Year: 100%).

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 disposal whole 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 for the Disposal. 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 supplies has low gross profit margin lower 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 received 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.

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 trading of LNG and the construction related consultancy projects completed by the Group included the outdoor pipeline network and engineering projects including coal-to-gas constructions and heat supply planning, as well as trading of industrial products in Tianjin.

Property investments

The Group holds two properties at Room 609 and Room 1604, No. 1701 Beijing Road West, JingAn District, Shanghai. The properties were being held for investment purpose and it generated rental income and segmental profit of RMB0.5 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.

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 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 IFRS16 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.

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.

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 7 and 14 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 announcement.

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.

OTHER INFORMATION

Updates on Director's information under rule 17.50(B) of the GEM Listing Rules

With effect from 2 December 2019, Mr. Lui Tin Nang has resigned from his position as an independent non-executive Director, the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee; Ms. Qin Xuwen has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee; and Ms. Ma Lee has been appointed as the chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. Details of the above appointment was set out in the announcement of the Company dated 2 December 2019.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established to review the Group's financial reporting, corporate governance reporting process, internal control system, risk management matters and make relevant recommendations to the Board.

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 Group's annual report and results announcement for the year ended 31 December 2019 has been reviewed by the Audit Committee, which was of the opinion that such reports and results were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the code provisions of corporate governance practices as required under the GEM Listing Rules.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, 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 auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 CG Code throughout the Current Year.

Compliance with the required standards of dealings in Securities Transactions by Directors

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2019, he had fully complied with the required standard of dealings and there was no event of non-compliance.

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.

Deferral of Publication of Annual Report

Pursuant to Rule 18.03 of the GEM Listing Rules, the Company is required to dispatch the annual report of the Company for the year ended 31 December 2019 (the "Annual Report") to the shareholders of the Company not later than three months after the end of the respective financial year, i.e. on or before 31 March 2020.

The Board wishes to inform its shareholders that the Company will not be able to publish and dispatch the Annual Report on or before 31 March 2020 as required by Rule 18.48A of the GEM Listing Rules due to the following reasons:

- Due to the COVID-19 outbreak, restrictions had been imposed on travel and work arrangements in the PRC. As a result, operations at the offices of the Company's personnel, customers, service providers and banks located in the PRC have been affected.

- Most of the audit confirmations required to complete the audit process cannot be obtained by mid of March 2020. This inevitably causes delay in the subsequent auditing process and the publication of the financial results of the Group.

- The Company considers it the utmost importance to give priority to the health and safety of all personnel, including auditors, accounting and other personnel.

Hence, the dispatch of the Annual Report needs to be postponed accordingly.

After discussion with the Group's auditor, the Company currently expects that the Annual Report will be dispatched to its shareholders and published on the websites of GEM (www.hkgem.hk) and the Company (www.8246hk.com) on or before 20 April 2020.

The Company will publish further announcement(s) to inform its shareholders and potential investors any material developments in connection with the expected publication date of the Annual Report along with other updates as and when appropriate in accordance with the GEM Listing Rules.

Communication with shareholders

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 investment public.

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

By order of the Board
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert, Ms. Lin Min, Mindy and Ms. Kwong Wai Man, Karina; and the independent non-executive Directors are Ms. Ma Lee, Mr. Lau Kwok Kee and Ms. Qin Xuwen.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and on the website of the Company at http://www.8246hk.com.