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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020		2019		(Decrease)
	RMB'000	***HKD'000***[#]	*RMB'000*	*HKD'000*[*]	
From continuing operations					
Revenue	**243,697**	**289,561**	344,766	384,862	(29.3%)
Gross (loss)/profit[(a)]	**(4,115)**	**(4,889)**	117,232	130,866	(103.5%)
(Loss)/profit and total comprehensive income for the year	**(143,464)**	**(170,464)**	53,740	59,990	(367.0%)
(Loss)/profit and total comprehensive income attributable to owners of the Company	**(131,017)**	**(155,674)**	44,120	49,251	(397.0%)
(Loss)/earnings before income tax	**(145,451)**	**(172,825)**	85,704	95,671	(269.7%)
(Loss)/earnings before income tax and depreciation allowance	**(132,919)**	**(157,934)**	98,972	110,482	(234.3%)
(Loss)/earnings per share					
Basic	**RMB(0.036)**	**HK$(0.043)**	RMB0.012	HK$0.013	(400.0%)
Diluted	**RMB(0.036)**	**HK$(0.043)**	RMB0.012	HK$0.013	(400.0%)
From continuing and discontinued operations					
Revenue	**243,697**	**289,561**	359,683	401,514	(32.2%)
Gross (loss)/profit[(a)]	**(4,115)**	**(4,889)**	119,941	133,890	(103.4%)
(Loss)/profit and total comprehensive income for the year	**(143,464)**	**(170,464)**	53,841	60,103	(366.5%)
(Loss)/profit and total comprehensive income attributable to owners of the Company	**(131,017)**	**(155,674)**	44,221	49,364	(396.3%)
(Loss)/earnings before income tax	**(145,451)**	**(172,825)**	85,810	95,790	(269.5%)
(Loss)/earnings before income tax and depreciation allowance	**(132,919)**	**(157,934)**	102,558	114,485	(229.6%)
(Loss)/earnings per share					
Basic	**RMB(0.036)**	**HK$(0.043)**	RMB0.013	HK$0.015	(376.9%)
Diluted	**RMB(0.036)**	**HK$(0.043)**	RMB0.012	HK$0.013	(400.0%)
Dividend	**Nil**	**Nil**	Nil	Nil	N/A

	As at 31.12.2020		As at 31.12.2019		Increase/ (decrease)
	RMB'000	***HKD'000#***	*RMB'000*	*HKD'000**	
Total assets	**595,030**	**707,015**	618,694	690,648	(3.8%)
Net assets	**354,549**	**421,275**	486,462	543,038	(27.1%)
Bank balance and cash	**85,484**	**101,572**	19,607	21,887	336.0%
Equity attributable to owners of the Company	**302,626**	**359,580**	422,092	471,181	(28.3%)

Key Financial Indicators	**2020**	2019
From continuing operations		
Gross (loss)/profit margin[(b)]	**(1.7%)**	34.0%
Net (loss)/profit margin[(c)]	**(58.9%)**	15.6%
(Loss)/return on average equity[(d)]	**(36.2%)**	11.2%
From continuing and discontinued operations		
Gross (loss)/profit margin[(b)]	**(1.7%)**	33.3%
Net (loss)/profit margin[(c)]	**(58.9%)**	15.0%
(Loss)/return on average equity[(d)]	**(36.2%)**	11.2%
Current ratio (times)[(e)]	**3.7**	4.1
Net gearing ratio[(f)]	**27.2%**	N/A

Notes:

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

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

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

(d) The calculation of (loss)/return on average equity is based on (loss)/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$1.1882 on 31 December 2020 for reference.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	**2020** **RMB'000**	2019 *RMB'000*
Continuing operations			
Revenue	*3, 7*	**243,697**	344,766
Cost of sales		**(247,812)**	(227,534)
Gross (loss)/profit		**(4,115)**	117,232
Other income	*4*	**16,669**	18,864
Other (losses)/gains	*5*	**(15,834)**	331
Allowance for impairment of trade receivables		**(117,532)**	(9,420)
Administrative expenses		**(24,495)**	(41,085)
(Loss)/profit from operations		**(145,307)**	85,922
Finance costs	*6*	**(144)**	(218)
(Loss)/profit before tax		**(145,451)**	85,704
Income tax credit/(expense)	*8*	**1,987**	(31,964)
(Loss)/profit and total comprehensive income for the year from continuing operations	*9*	**(143,464)**	53,740
Discontinued operation			
Profit for the year from discontinued operation	*10*	**–**	101
(Loss)/profit and total comprehensive income for the year		**(143,464)**	53,841
Attributable to:			
Owners of the Company		**(131,017)**	44,221
Non-controlling interests		**(12,447)**	9,620
		(143,464)	53,841
(Loss)/earnings per share attributable to owners of the Company	*12*		
From continuing and discontinued operations			
Basic		**RMB(0.036)**	RMB0.013
Diluted		**RMB(0.036)**	RMB0.012
From continuing operations			
Basic		**RMB(0.036)**	RMB0.012
Diluted		**RMB(0.036)**	RMB0.012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**57,862**	67,787
Investment properties		**9,910**	9,910
Right-of-use assets		**5,181**	4,148
Rental deposits		**341**	400
Deferred tax assets		**3,954**	–
Total non-current assets		**77,248**	82,245
Current assets			
Trade and other receivables	*13*	**432,298**	516,842
Cash and cash equivalents		**85,484**	19,607
Total current assets		**517,782**	536,449
TOTAL ASSETS		**595,030**	618,694
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**3,678**	3,635
Reserves		**298,948**	418,457
		302,626	422,092
Non-controlling interests		**51,923**	64,370
TOTAL EQUITY		**354,549**	486,462
LIABILITIES			
Non-current liabilities			
Lease liabilities		**3,079**	1,686
Convertible bonds	*14*	**96,420**	–
Total non-current liabilities		**99,499**	1,686
Current liabilities			
Trade and other payables	*15*	**119,957**	114,677
Amount due to a related company		**1,802**	–
Contract liabilities		**14,714**	4,149
Lease liabilities		**2,111**	2,516
Income tax payables		**2,398**	9,204
Total current liabilities		**140,982**	130,546
TOTAL LIABILITIES		**240,481**	132,232
TOTAL EQUITY AND LIABILITIES		**595,030**	618,694
NET CURRENT ASSETS		**376,800**	405,903

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	3,553	12,501	26,869	528	325,802	369,253	56,450	425,703
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
Payment of 2018 final dividend	–	–	–	–	(15,519)	(15,519)	–	(15,519)
Changes in equity for the year	82	25,731	(1,676)	–	28,702	52,839	7,920	60,759
At 31 December 2019	3,635	38,232	25,193	528	354,504	422,092	64,370	486,462
At 1 January 2020	**3,635**	**38,232**	**25,193**	**528**	**354,504**	**422,092**	**64,370**	**486,462**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(131,017)**	**(131,017)**	**(12,447)**	**(143,464)**
Exercise of share options	**43**	**12,703**	**(3,017)**	**–**	**–**	**9,729**	**–**	**9,729**
Recognition of equity-settled share based payments	**–**	**–**	**1,822**	**–**	**–**	**1,822**	**–**	**1,822**
Transfer	**–**	**–**	**–**	**(528)**	**528**	**–**	**–**	**–**
Changes in equity for the year	**43**	**12,703**	**(1,195)**	**(528)**	**(130,489)**	**(119,466)**	**(12,447)**	**(131,913)**
At 31 December 2020	**3,678**	**50,935**	**23,998**	**–**	**224,015**	**302,626**	**51,923**	**354,549**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Zhonghua Gas Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on 8 September 2011 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in:

(i) 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, coupled with trading of new energy related industrial products and liquefied natural gas ("LNG") ("New Energy Business"); and

(ii) the leasing of investment properties located in Shanghai, China ("Property Investments").

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time relevant to the Group, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

(i) Amendments to IAS 1 and IAS 8 Definition of Material

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

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16 *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS *16 Property, plant and equipment: proceeds before intended use*	1 January 2022
Amendments to IAS 37 *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Annual Improvements to *IFRSs 2018–2020 Cycle*	1 January 2022
Amendments to IAS 1 *Classification of liabilities as current or non-current*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

Revenue from each type of business for the years ended 31 December 2020 and 2019 from continuing operations is as follows:

	2020	2019
	RMB'000	*RMB'000*
New Energy Business		
Trading of industrial products	**–**	2,124
Construction related and consultancy service	**–**	105,739
Trading of LNG	**243,201**	236,399
	243,201	344,262
Property Investments	**496**	504
	243,697	344,766

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
– At a point in time	**243,201**	238,523
– Over time	**496**	106,243
	243,697	344,766

During the years ended 31 December 2020 and 2019, the management of the Group assessed the financial impact of the financing components related to the revenue from construction related and consultancy service and the amounts of consideration are adjusted for the effects of financing components unless the effects are considered immaterial.

All performance obligations are for periods of one year or less. As permitted under IFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts is not disclosed.

Practical expedient in paragraph 121 of IFRS 15 *Revenue from Contracts with Customers* was applied by the Group to not to disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations on works having original expected duration of completion in one year or less.

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Rental and operating management service income	**9,163**	9,073
Government subsidies *(note)*	**6,366**	5,719
Interest income on bank deposits	**35**	449
Trade payables written off	**750**	3,152
Others	**355**	471
	16,669	18,864

Note: During the year ended 31 December 2020, the Group received subsidies of RMB5,561,000 (2019: RMB5,719,000 from the PRC's local 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.

During the year ended 31 December 2020, the Group also received subsidies of RMB805,000 related to Employment Support Scheme from the Government of Hong Kong Special Administrative Region which was a time-limited compensation for expenses incurred without unfulfilled conditions during the economic instability under the COVID-19 pandemic.

5. OTHER (LOSSES)/GAINS

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Net foreign exchange (loss)/gain	**(25)**	294
Fair value losses of convertible bonds	**(14,166)**	–
Reversal of value-added tax credits not deductible	**(1,644)**	–
Others	**1**	37
	(15,834)	331

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Continuing operations		
Interest expenses on lease liabilities	**144**	218

7. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance.

The Group has two reportable operating segments, which are (a) New Energy Business; and (b) Property Investments.

As the Group disposed of all the PRC entities which were engaged in Catering Business on 30 April 2019, the financial results contributed by the Catering Business represented the financial results during the period from 1 January 2019 to 30 April 2019 and presented as results from discontinued operation. Accordingly in the prior period, the Catering Business was not presented for segment reporting to CODM.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment results are measured as gross (loss)/profit of each segment without allocation of administrative expenses, finance costs, other income, other (losses)/gains, allowance for impairment of trade receivables, and income tax credit/(expense). This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

No segment assets or liabilities information or other segment information is provided as the CODM does not review this information for the purpose of resource allocation and assessment of segment performance.

No geographical segment information is presented as all the sales and operating (losses)/profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The segment information provided to the CODM for the reportable segments for the years ended 31 December 2020 and 2019 from continuing operations is as follows:

Year ended 31 December 2020

	New Energy Business *RMB'000*	Property Investments *RMB'000*	Total *RMB'000*
Continuing operations			
Revenue	**243,201**	**496**	**243,697**
Cost of sales	**(247,812)**	**–**	**(247,812)**
Segment results	**(4,611)**	**496**	**(4,115)**
Other income			**16,669**
Other losses			**(15,834)**
Allowance for impairment of trade receivables			**(117,532)**
Administrative expenses			**(24,495)**
Finance costs			**(144)**
Income tax credit			**1,987**
Loss for the year			**(143,464)**

Year ended 31 December 2019

	New Energy Business *RMB'000*	Property Investments *RMB'000*	Total *RMB'000*
Continuing operations			
Revenue	344,262	504	344,766
Cost of sales	(227,534)	–	(227,534)
Segment results	116,728	504	117,232
Other income			18,864
Other gains			331
Allowance for impairment of trade receivables			(9,420)
Administrative expenses			(41,085)
Finance costs			(218)
Income tax expense			(31,964)
Profit for the year			53,740

Revenue from major customers:

Revenue from customers in relation to continuing operations contributing over 10% of the total revenue of the Group are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Customer A (New Energy Business)	**165,575**	N/A
Customer B (New Energy Business)	**55,163**	150,490
Customer C (New Energy Business)	**N/A***	88,845
Customer D (New Energy Business)	**N/A***	50,948

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

8. INCOME TAX CREDIT/(EXPENSE)

Income tax relating to continuing operations has been recognised in profit or loss as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Current tax		
Provision for the year – the PRC	**(1,962)**	(31,964)
Under-provision in prior years	**(5)**	–
	(1,967)	(31,964)
Deferred tax	**3,954**	–
	1,987	(31,964)

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 2020 and 2019.

PRC Corporate Income Tax has been provided at a rate of 25% (2019: 25%), except for a subsidiary eligible to be a "Small and Low-profit Enterprise" under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20% (2019: 20%).

Pursuant to the PRC law on Corporate Income Tax, 10% withholding income tax will be levied on foreign investors for dividend distribution from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit/(expense) and the product of (loss)/profit before tax multiplied by the respective applicable tax rates relating to continuing operations is as follows:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(145,451)**	85,704
Tax at the respective applicable tax rates	**33,617**	(24,120)
Tax effect of expenses not deductible	**(291)**	(2,355)
Tax effect of income not taxable	**–**	112
Tax effect of tax losses not recognised	**(5,903)**	(5,601)
Net tax effect of temporary differences not recognised	**(25,431)**	–
Under-provision in prior years	**(5)**	–
Income tax credit/(expense)	**1,987**	(31,964)

9. (LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2020	2019
	RMB'000	*RMB'000*
Directors' and chief executive's emoluments	**5,143**	9,723
Salaries and other allowances, excluding those of Directors	**7,290**	7,691
Retirement benefit scheme contributions, excluding those of Directors	**600**	840
Equity-settled share based payments, excluding those of Directors	**1,292**	4,462
Total staff costs	**14,325**	22,716
Auditors' remuneration	**990**	1,950
Depreciation of property, plant and equipment	**10,672**	10,738
Less: included in cost of sales	**(10,333)**	(10,333)
	339	405
Depreciation of right-of-use assets	**1,860**	2,530
Cost of inventories recognise as an expense	**236,385**	202,830

10. 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, 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 amounting to RMB1,786,000.

Profit for the period from 1 January 2019 to 30 April 2019 (date of disposal) associated with the discontinued operation in respect of Catering Business is analysed as follow:

	Period from 1 January 2019 to 30 April 2019 *RMB'000*
Loss of Catering Business	(1,685)
Gain on disposal of Catering Business	1,786
Profit for the period attributable to owners of the Company from discontinued operation	101
Revenue	14,917
Cost of sales	(12,209)
Gross profit	2,708
Other income	3
Other losses	(256)
Administrative expenses	(2,076)
Selling and distributions	(1,252)
Impairment of property, plant and equipment	(303)
Interest expenses on lease liabilities	(504)
Loss before tax	(1,680)
Income tax expense	(5)
Loss for the period from Catering Business	(1,685)
Loss per share from discontinued operation attributable to owners of the Company *(Note)*	
Basic	RMB0.000
Diluted	RMB0.000

Note: The denominators used are the same as detailed in note 12 to the consolidated financial statements for both basic and diluted earnings per share.

Cash flows for the period from 1 January 2019 to 30 April 2019 (date of disposal) associated with the discontinued operation are as follows:

	Period from 1 January 2019 to 30 April 2019 *RMB'000*
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)

Profit for the period from 1 January 2019 to 30 April 2019 (date of disposal) associated with the discontinued operation in respect of Catering Business has been arrived at after charging/(crediting):

	Period from 1 January 2019 to 30 April 2019 *RMB'000*
Salaries and other allowances	4,714
Retirement benefit scheme contributions	815
Total staff costs	5,529
Auditors' remuneration	7
Depreciation of property, plant and equipment	123
Less: included in cost of sales	(116)
	7
Depreciation of right-of-use assets	3,357
Cost of inventories recognise as an expense	4,856

The carrying amounts of the assets and liabilities over which control was lost are 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
Cash and cash equivalents	3,022
Trade and other payables	(6,659)
Contract liabilities	(9,383)
Lease liabilities	(27,032)
Amount due to a shareholder	(3,738)
Income tax payables	(2,600)
Net assets disposed of	214
Gain on disposal of Catering Business	1,786
Total consideration	2,000
Net cash outflow arising on disposal:	
Cash consideration received	2,000
Cash and cash equivalents disposed of	(3,022)
	(1,022)

11. DIVIDENDS

	2019 *RMB'000*
2018 final dividend of HK$0.5 cents (equivalent to RMB0.44 cents) per share	15,519

The Board of Directors does not recommend the payment of any dividend in respect of the years ended 31 December 2020 and 2019.

12. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following:

	2020 ***RMB'000***	2019 *RMB'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	**(131,017)**	44,221

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**3,609,353**	3,534,271
Add: effect of dilutive potential ordinary shares arising from share options issued by the Company	**–**	46,579
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**3,609,353**	3,580,850

The computation of diluted loss per share during the year ended 31 December 2020 did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

From continuing operations

The calculation of the basic and diluted (loss)/earnings per share from continuing operations is based on the following:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	**(131,017)**	44,221
Less: profit for the year from discontinued operation	**–**	101
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share from continuing operations	**(131,017)**	44,120

The weighted average numbers of ordinary shares used as the denominators are the same as those detailed above for both basic and diluted (loss)/earnings per share.

From discontinued operation

Basic earnings per share from discontinued operation is RMBNil per share (2019: RMB0.000 per share) and diluted earnings per share from discontinued operation is RMBNil per share (2019: RMB0.000 per share) based on the profit for the year from discontinued operation attributable to owners of the Company of RMBNil (2019: RMB101,000) and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**366,344**	482,486
Other receivables and deposits	**65,954**	34,356
	432,298	516,842

Trade receivables

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**493,296**	491,906
Less: allowance for impairment of trade receivables	**(126,952)**	(9,420)
	366,344	482,486

For the construction related and consultancy services under New Energy Business, the settlement period is generally within one to two years after the completion of construction related and consultancy services.

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

The aging analysis of trade receivables net of allowance for impairment of trade receivables, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 – 60 days	**75,361**	368,906
61 – 180 days	**73,416**	1,626
181 – 270 days	**29,337**	86,071
271 days – 1 year	**71,168**	15,553
Over 1 year but within 2 years	**117,062**	10,330
Over 2 years	**–**	–
	366,344	482,486

Other receivables and deposits

	2020	2019
	RMB'000	*RMB'000*
Prepayments to suppliers	**45,260**	23,586
Prepayments for operating expenses	**747**	1,383
Value-added and other taxes' credits	**6,791**	6,367
Rental deposits	**396**	–
Other receivables	**510**	20
Bills receivables	**12,250**	3,000
	65,954	34,356

The carrying amounts of the Group's other receivables and deposits are mainly denominated in RMB.

14. CONVERTIBLE BONDS

On 16 November 2020, the Group issued convertible bonds with a principal amount of HK$97,800,000, bearing interest at a coupon rate of 8% per annum payable semi-annually, at a consideration of HK$97,800,000 to New York Limited, a company wholly owned by Kai Yuan Holdings Limited listed on the Main Board of the Stock Exchange (the "Subscriber"), of which Mr. Hu Yishi (the Executive Director of the Company) as a substantial shareholder having no control or significant influence and Ms. Lin Min, Mindy (the Executive Director of the Company and the spouse of Mr. Hu Yishi) as also deemed to be a substantial shareholder having no control or significant influence. The Subscriber has the option to convert the convertible bonds into ordinary shares of the Company on or after 16 November 2020 up to and including 16 November 2023 at an initial conversion price of HK$0.27 per share, subject to adjustments from certain terms and conditions. Any convertible bonds not converted will be redeemed on 16 November 2023 at 100% of the principal amount.

The convertible bonds was designated and initially recognised as financial liabilities at fair value through profit or loss, and the valuations of which were performed by Avista Valuation Advisory Limited, an independent qualified professional valuer engaged by the Group to assist on the fair value determination as at 31 December 2020 and 16 November 2020 using Binomial model.

The movement of the convertible bonds during the year ended 31 December 2020 is as follows:

	2020
	RMB'000
At 16 November 2020 (date of issuance)	**83,000**
Fair value losses *(note 5)*	**14,166**
Exchange difference	**(746)**
At 31 December 2020	**96,420**

15. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**111,231**	111,190
Accruals	**346**	1,528
Other payables	**8,057**	63
Employee benefits payable	**79**	121
Other taxes payable	**244**	1,775
	119,957	114,677

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due according to contract terms. The aging analysis of trade payables based on invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
0 – 30 days	**3,043**	40,281
31 – 60 days	**–**	328
91 – 180 days	**11,779**	5,139
Over 180 days	**96,409**	65,442
	111,231	111,190

The carrying amounts of the Group's trade payables are all denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Current Year, the Group's total revenue decreased by approximately RMB101.1 million or 29.3% from approximately RMB344.8 million for the Previous Year to approximately RMB243.7 million for the Current Year. Net loss after tax RMB143.5 million recorded, as compared to a net profit after tax of RMB53.7 million for the Previous Year. Gross loss recorded for Current Year as compared to a gross profit for the Previous Year owing to LNG supply revenue with a thinner gross profit margin. The Group recorded a loss attributable to owners of the Company of RMB131.0 million, down by 397.0% as compared to a net profit of RMB44.1 million for the Previous Year.

During the Current Year, the outbreak of the COVID-19 pandemic brought unprecedented challenges to the Group's business operations starting from the first quarter of 2020. Most of the client meetings, negotiations and marketing activities to meet new customers were postponed or put off due to social or physical distancing and a range of precautionary measures. Despite gradual recovery in more economic activities approaching the mid-year, the Group's businesses continued to be hard hit by the sustained impact of the pandemic. The overall market sentiment has not substantially improved nor come back to the pre-crisis times near the end of the financial year.

Throughout the financial year, the Group's core businesses in the PRC experienced tremendous pressure and tension in the ongoing development of the COVID-19 pandemic around the world. The Group's revenue particularly in the regard to the capacity in securing new projects and service contracts in the New Energy Business in 2020 was disappointing. Echoed the right strategy of developing the LNG supply business, revenue from the LNG supply remained the only source of revenue from the New Energy Business.

New Energy Business

The Group is principally engaged in the provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with trading of new energy related industrial products.

During the Current Year the Group suffered from the economic dip during the COVID-19 pandemic. The weak business sentiment resulted in the postponement of many construction projects, both from the public and private sectors. It has also led to a sharp decrease in the number of new construction work in almost all of the Group's operating markets. As a consequence of the sluggish market, there was no new project secured from the construction related and consultancy services in relation to heat supply in the New Energy Business. The PRC industry competitors continued to impose cost cutting measures and the reduction in sales volume of LNG further squeezed the LNG profit margin. The poor market sentiments in the PRC brought the sales volume of the LNG to a new low level.

Despite the progressive recovery of the PRC market conditions in the second half of the Current Year, the overall demand for integrated new energy products and services remained weak. The only revenue of the Group's New Energy Business during the Current Year came from the lower gross profit margin LNG supply. Moreover, the coal to gas conversion in Tianjin district has become saturated and the number of future new projects is expected to decrease.

Regarding LNG supply, the Group has set up a new LNG supply location in Shanghai during the third quarter of 2020. Shanghai's new point of LNG supply was seen as an important extension of LNG supply network outside of the Group's main base, Tianjin. The Group has been deploying full efforts in facilitating its development and growing it into a major business point since its establishment. The Group expected it to bring in revenue contribution in short term. Besides, the Group successfully cooperated with Shanghai Jiulian Group, a wholly-owned subsidiary of Shanghai Shenergy Group, and strengthened the supply of LNG resources of the Group. The partner is engaged in a number of diverse businesses such as LNG sales, engineering of LNG pipeline, sale, installation, maintenance of LNG delivery equipment, technology development of new energy, etc. Eyeing to reach out to the high potential market in the Yangtze River Delta region, the Group believed that such cooperation not only diversified its income base, but also helped the Group to enhance its presence in other new markets and expand the scope of its LNG business.

It is always the Group's intention to tap further into the European markets. In this regard, the Group continued to maintain a strategic partnership with Tractebel Engineering S.A. from France. However, due to some large-scale lockdowns and a tangle of travel restrictions in Europe during the Current Year, the Group has not been able to fully explore new business opportunities with potential clients. Thus, the Group expected to pick up in such aspect after the pandemic.

Property Investments

The Group owned two office premises on Beijing Road West, Jing An District in Shanghai as at 31 December 2020. Both premises continued to be on medium term lease. Leasing out the property investments generated long-term stable rental income for the Group.

Completion of Issue of the Convertible Bonds

Though the equities market remained volatile and uncertain, counting on the steady industry of the Group's business as well as its solid path, the Company entered into a subscription agreement (the "Subscription Agreement") with New York Limited, a wholly-owned subsidiary of Kai Yuan Holdings Limited ("the Subscriber") regarding the 3-year convertible bonds in the aggregate principal amount of HK$97,800,000 with 8% interest per annum (the "Convertible Bonds") and all conditions precedent set out in the Subscription Agreement have been fulfilled and completion of issue of the Convertible Bonds took place on 16 November 2020.

The net proceeds will be used for general working capital and the enhancement of the existing business of the Group. Through the Convertible Bonds, the Group believed that it enhanced the Group's financial position and broadened its investor and capital bases. It also laid a good foundation for further strategic alliance with the Subscriber. For details, please refer to the announcements of the Company dated 2 November 2020 and 16 November 2020 published on the websites of the Company and the Stock Exchange.

FINANCIAL REVIEW

Continuing Operations

Revenue

For the Current Year, revenue from continuing operations of the Group amounted to RMB243.7 million, representing a decrease of 29.3% from RMB344.8 million for the Previous Year. The decrease was mainly attributable to the decrease in revenue of RMB101.1 million from New Energy Business during the Current Year.

Cost of sales

	2020	2019	Increase
	RMB'000	*RMB'000*	
New Energy Business	**247,812**	227,534	8.9%
Property Investments	**–**	–	–
Group total	**247,812**	227,534	8.9%

The cost of sales of New Energy Business increased to RMB247.8 million as compared to RMB227.5 million in the Previous Year. The increase mainly represented the cost increased in LNG supply during the Current Year.

Gross (loss)/profit margin

	2020	2019
	%	*%*
New Energy Business	**(1.9%)**	33.9%
Property Investments	**100.0%**	100.0%
Group total	**(1.7%)**	34.0%

Gross (loss)/profit represents revenue less cost of sales. Gross profit margin of the New Energy Business segment decreased from 33.9% for the Previous Year to gross loss margin of 1.9% for the Current Year, mainly due to the LNG supply revenue with its thinner gross profit margin which could not cover the fixed direct cost during the Current Year.

The gross profit margin of the Property Investments segment was 100% (Previous Year: 100%).

Other losses and gains

Other losses of RMB15.8 million was recorded in the Current Year compared to other gains of RMB0.3 million in the Previous Year, mainly due to the fair value losses of Convertible Bonds in the Current Year.

Administrative expenses

Administrative expenses decreased by 40.4% from RMB41.1 million for the Previous Year to RMB24.5 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 and audit fee in the Current Year.

Finance costs

For the Current Year, the Group's finance costs were RMB0.14 million (Previous Year: RMB0.22 million), representing a decrease of RMB0.08 million or 36.4%, which was mainly due to decrease in the cost incurred from the right-of-use assets.

Income tax credit/(expense)

Income tax credit recorded was RMB2.0 million (Previous Year: income tax expenses RMB32.0 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin net off the effect of deferred tax asset provided on the loss of subsidiaries in Tianjin and the PRC tax department approved tax relief and delay tax payment in Shanghai district in year 2020.

Discontinued Operations

On 30 April 2019, the Group completed the disposal of its entities, which engaged in restaurants operation ("Catering Business") through the disposal of two wholly-owned subsidiaries to an independent third party for a consideration of RMB2,000,000 (equivalent to approximately HK$2,331,000). For further details, please refer to the note 10 to the consolidated financial statements and the announcement of the Company dated 30 April 2019.

Total Comprehensive Income Attributable to Non-controlling Interests

Non-controlling interests decreased by 229.4% from RMB9.6 million for the Previous Year to RMB(12.4) million for the Current Year. This was mainly attributable to the net loss recorded by the non-wholly owned subsidiaries in Tianjin for the Current Year.

(Loss)/Profit and Total Comprehensive (Expense) Income Attributable to the Owners of the Company

Net (loss)/profit and total comprehensive (expense) income attributable to owners of the Company recorded a decrease by 397.0% from net profit of RMB44.1 million for the Previous Year to net loss of RMB131.0 million for the Current Year. The decrease was mainly caused by (i) a significant decrease in revenue of around 29.3% from approximately RMB344.8 million for the Previous Year to approximately RMB243.7 million for the Current Year; (ii) along with challenging global economic prospect and adverse global cash and liquidity position, the collection of account receivable of the Group was affected, and an allowance for impairment on the trade receivables was made for RMB117.5 million; and (iii) a fair value losses of the Convertible Bonds was recorded for RMB14.2 million.

Basic and diluted loss per share from continuing and discontinued operations for the Current Year were both RMB3.6 cents, as compared to basic and diluted earnings per share from continuing and discontinued operations of RMB1.3 cents and RMB1.2 cents respectively 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 a decrease in revenue of 29.4% from RMB344.3 million for the Previous Year to RMB243.2 million for the Current Year. The revenue from this business segment accounted for 99.8% 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	**2020 Revenue *RMB million***	2019 Revenue *RMB million*
Beichen, Tianjin (北辰區，天津)	**55.2**	153.0
Xiqing, Tianjin (西青區，天津)	**22.3**	140.3
Jinghai, Tianjin (靜海區，天津)	**–**	51.0
Pudong Xinqu, Shanghai (浦東新區，上海)	**165.7**	–
	243.2	344.3

The revenue from the New Energy Business for Current Year mainly contributed by the LNG supply in Tianjin and Shanghai.

Property Investments

The Group owns two office premises on Beijing Road West, JingAn District, Shanghai. The properties were being held for investment purpose and it generated rental income and segmental profit of RMB0.5 million and RMB0.5 million respectively in the Current Year (Previous Year: RMB0.5 million and RMB0.5 million respectively). The investment properties were expected to bring stable long-term rental income to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, bank balances and cash maintained by the Group were RMB85.5 million, representing an increase of 336.0% from RMB19.6 million as at 31 December 2019, mainly due to the fundraising arised from the completion of issuance of the Convertible Bonds. Trade and other receivables were RMB432.3 million, decreased by 16.4% from RMB516.8 million as at 31 December 2019, which mainly represented the increase in trade receivables in LNG supply business net of the effect of allowance for impairment of trade receivables.

Trade and other payables increased from RMB114.7 million as at 31 December 2019 to RMB120.0 million, by 4.6%, mainly reflected the increase in trade payables from the New Energy Business. Contract liabilities increased to RMB14.7 million compared with RMB4.1 million as at 31 December 2019 due to increase in advance from customers. Finance lease liabilities raised from right-of-use assets of office locations of RMB5.2 million compared with RMB4.2 million as at 31 December 2019. The tax liability decreased from RMB9.2 million as at 31 December 2019 to RMB2.4 million, by 73.9%.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2020 were RMB517.8 million and RMB141.0 million (31 December 2019: RMB536.4 million and RMB130.5 million) respectively.

The Group had no bank borrowings as at 31 December 2020. Upon completion of issuance of the Convertible Bonds, the gearing ratio of the Group, measured as total debt to total equity, increased to 27.2% as at 31 December 2020 (31 December 2019: 0.0%). The Group recorded net assets of RMB354.5 million as at 31 December 2020 compared with RMB486.5 million as at 31 December 2019. The decrease was mainly due to the net loss recorded during the Current Year, net off the effect of increase in equity by the exercise of share options, recognition of equity-settled share based payment. During the Current Year, the Group financed its operations with the funds from issuance of the Convertible Bonds and its internal resources.

FUNDRAISINGS THROUGH ISSUANCE OF CONVERTIBLE BONDS

On 16 November 2020, 3-year Convertible Bonds were issued by the Company to the Subscriber under the general mandate pursuant to the Subscription Agreement dated 2 November 2020 entered into between the Company and the Subscriber. The Convertible Bonds can be converted into shares of the Company at an initial conversion price of HK$0.27 per conversion share (subject to adjustment), during the conversion period of 3 years from 16 November 2020. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds are convertible into 362,222,222 new shares of the Company at an initial conversion price of HK$0.27 per conversion share (subject to adjustment), representing approximately 10% of the existing issued share capital of the Company on 16 November 2020.

The Board considers that the Subscription (as defined in the announcement of the Company dated 2 November 2020) represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group potentially. The Directors are of the view that the Subscription is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

As at 31 December 2020, no Convertible Bonds have been converted into new conversion shares of the Company.

For further details, please refer to the announcements of the Company dated 2 November 2020 and 16 November 2020 published on the websites of the Company and the Stock Exchange.

USE OF PROCEEDS

On 16 November 2020, the Company has issued the Convertible Bonds to New York Limited under general mandate. The net proceeds from the issue of the Convertible Bonds are approximately HK$97.5 million (equivalent to approximately RMB82.7 million). The Company intends to use the net proceeds as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group. The net proceeds are expected to be fully applied by 2023.

As at 31 December 2020, the Company has utilized approximately HK$8.3 million (equivalent to approximately RMB7.1 million) for general working capital of the Group and approximately HK$7.8 million (equivalent to approximately RMB6.6 million) for enhancement of the existing business of the Group.

The intended and actual use of proceeds from the issuance of Convertible Bonds up to 31 December 2020 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 31 December 2020	Unutilised proceeds up to 31 December 2020	Expected timeline for use of unutilised proceeds
approximately HK$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB7.1 million	approximately RMB34.3 million	By 2023
	(ii) enhancement of the existing business of the Group (50%)	approximately RMB6.6 million	approximately RMB34.7 million	By 2023

CAPITAL STRUCTURE

During the Current Year, an aggregate of 37,104,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK$0.289. As at 31 December 2020, the Company had an aggregate of 3,622,136,000 shares of HK$0.00125 each in issue.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Current Year (Previous Year: Nil). 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.

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 2020, the Group did not have any material contingent liabilities (Previous Year: Nil).

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

Save as disclosed in note 10 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 at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any mortgage or charge over its assets (Previous Year: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 31 December 2020, the Group has approximately 34 full time employees in the PRC and 16 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.

PROSPECTS

For the new financial year, the Group's top priority is to ensure business steadiness during the post pandemic recovery period in the PRC. With the new capital generated from the issue of Convertible Bonds, the Group aims to seek and explore further development to reinforce its existing businesses.

The Group is set to extend the footprint of its LNG supply network to other districts of the PRC. The Group will keep on pursuing growth opportunities through establishing new joint ventures and carrying out merger and acquisition. Apart from keeping the existing LNG trading locations, the Group will proactively seize possible collaboration with both domestic and overseas LNG suppliers to expand its business portfolio.

The Group anticipates that the macroeconomic outlook will continue to be clouded by the persisting pandemic and external factors for a slowdown in economic growth in the worldwide. The economic uncertainties are likely to bring deeper impact to the global economies in the medium to long term. Despite the challenges, with our strong regional presence and well-established market position, the Group is determined to aggressively equip itself to weather the storm, staying devoted to grasping new projects in order to create additional revenue streams and reducing operating costs. The Group will also implement multi-facet strategies in order to get the core businesses back on track as soon as possible.

OTHER INFORMATION

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 2020 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 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. RSM Hong Kong 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. RSM Hong Kong 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. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

The Directors are of the opinion that the Company and the Board had complied with the Corporate Governance Code throughout the Current Year.

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

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2020, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

Purchase, Sale or Redemption of Securities of the Company

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

Environmental, Social and Governance Report

The Group strives to protect the environment and minimize any negative impact on the environment and occupational health and safety induced by our business, achieving the goal of sustainable development.

Pursuant to Rule 17.103 of the GEM Listing Rules, an Environmental, Social and Governance ("ESG") Report of the Company in compliance with the provisions set out in the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules will be published on the Stock Exchange's website and the Company's website no later than three months after the annual report has been published.

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, 29 March 2021

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 www.hkgem.com and, in the case of this announcement, on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.8246hk.com.