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 2023

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 the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

The board of Directors (the "Board") of the Company announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Current Year"), together with the audited comparative figures for the year ended 31 December 2022 (the "Previous Year") as follows:

FINANCIAL HIGHLIGHTS

	2023		2022		Increase/ (decrease)
	RMB'000	***HKD'000#***	*RMB'000*	*HKD'000**	
Revenue	**186,652**	**205,970**	200,529	224,492	(6.9%)
Gross loss[a]	**(6,793)**	**(7,496)**	(7,949)	(8,899)	(14.5%)
Loss and total comprehensive income for the year	**(4,025)**	**(4,442)**	(3,739)	(4,186)	7.6%
Loss and total comprehensive income attributable to owners of the Company	**(6,656)**	**(7,345)**	(5,254)	(5,882)	26.7%
Loss before tax	**(3,705)**	**(4,088)**	(3,695)	(4,137)	0.3%
Profit before tax and depreciation	**9,432**	**10,408**	10,855	12,152	(13.1%)
Loss per share					
Basic and diluted	**RMB(0.002)**	**HK$(0.002)**	RMB(0.001)	HK$(0.001)	100%
Dividend	**Nil**	**Nil**	Nil	Nil	N/A

	As at 31.12.2023		As at 31.12.2022		Increase/ (decrease)
	RMB'000	***HKD'000#***	*RMB'000*	*HKD'000**	
Total assets	**349,670**	**385,861**	346,729	388,163	0.8%
Net assets	**139,242**	**153,654**	142,953	160,036	(2.6%)
Cash and cash equivalents	**196,083**	**216,378**	38,752	43,383	406.0%
Equity attributable to owners of the Company	**104,763**	**115,606**	109,789	122,909	(4.6%)

Key Financial Indicators	**2023**	2022
Gross loss margin[b]	**(3.6%)**	(4.0%)
Net loss margin[c]	**(2.2%)**	(1.9%)
Loss on average equity[d]	**(6.2%)**	(4.7%)
Current ratio (times)[e]	**1.6**	1.5
Net gearing ratio[f]	**67.6%**	59.5%

Notes:

[a] The calculation of gross loss is based on revenue minus cost of sales.

[b] The calculation of gross loss margin is based on gross loss divided by revenue.

[c] The calculation of net loss margin is based on loss for the year divided by revenue.

[d] The calculation of loss on average equity is based on loss attributable to 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 bank borrowing and other loan divided by total equity.

Converted to HK$ at exchange rate of RMB1 = HK$1.1035 on 31 December 2023 for reference.

* Converted to HK$ at exchange rate of RMB1 = HK$1.1195 on 31 December 2022 for reference.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTE	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**186,652**	200,529
Cost of sales		**(193,445)**	(208,478)
Gross loss		**(6,793)**	(7,949)
Other income	*5*	**6,480**	9,574
Other losses	*6*	**(11,451)**	(10,192)
Impairment loss on property, plant and equipment		**(25,928)**	—
Impairment loss on right-of-use assets		**(945)**	—
Reversal of allowance on trade receivables		**66,738**	29,394
Administrative expenses		**(30,005)**	(24,297)
Loss from operations		**(1,904)**	(3,470)
Finance costs	*7*	**(1,801)**	(225)
Loss before tax		**(3,705)**	(3,695)
Income tax expense	*9*	**(320)**	(44)
Loss and total comprehensive income for the year	*10*	**(4,025)**	(3,739)
Attributable to:			
Owners of the Company		**(6,656)**	(5,254)
Non-controlling interests		**2,631**	1,515
		(4,025)	(3,739)
Loss per share attributable to owners of the Company			
Basic and diluted	*12*	**RMB(0.002)**	RMB(0.001)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,097**	44,002
Investment properties		**3,780**	3,780
Right-of-use assets		**151**	2,804
Deposits		**36**	410
		11,064	50,996
Current assets			
Trade and other receivables	*13*	**142,523**	256,981
Cash and cash equivalents		**196,083**	38,752
Total current assets		**338,606**	295,733
TOTAL ASSETS		**349,670**	346,729
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,724**	3,724
Reserves		**101,039**	106,065
		104,763	109,789
Non-controlling interests		**34,479**	33,164
		139,242	142,953
LIABILITIES			
Non-current liabilities			
Lease liabilities		**444**	1,090
Current liabilities			
Trade and other payables	*16*	**113,905**	114,403
Bank borrowing	*14*	**8,000**	—
Convertible bonds	*15*	**—**	85,096
Other loan	*14*	**86,082**	—
Lease liabilities		**646**	1,815
Income tax payables		**1,351**	1,372
Total current liabilities		**209,984**	202,686
TOTAL LIABILITIES		**210,428**	203,776
TOTAL EQUITY AND LIABILITIES		**349,670**	346,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company						
	Share Capital *RMB'000*	**Share premium** *RMB'000*	**Share option reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2022	3,724	57,075	21,540	32,704	115,043	29,649	144,692
Total comprehensive income for the year	—	—	—	(5,254)	(5,254)	1,515	(3,739)
Capital contribution from non-controlling interest of a subsidiary	—	—	—	—	—	2,000	2,000
Changes in equity for the year	—	—	—	(5,254)	(5,254)	3,515	(1,739)
At 31 December 2022	3,724	57,075	21,540	27,450	109,789	33,164	142,953
At 1 January 2023	**3,724**	**57,075**	**21,540**	**27,450**	**109,789**	**33,164**	**142,953**
Total comprehensive income for the year	**—**	**—**	**—**	**(6,656)**	**(6,656)**	**2,631**	**(4,025)**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**(1,316)**	**(1,316)**
Equity-settled share-based payments transaction	**—**	**—**	**1,630**	**—**	**1,630**	**—**	**1,630**
Changes in equity for the year	**—**	**—**	**1,630**	**(6,656)**	**(5,026)**	**1,315**	**(3,711)**
At 31 December 2023	**3,724**	**57,075**	**23,170**	**20,794**	**104,763**	**34,479**	**139,242**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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 sales of LNG ("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. GOING CONCERN BASIS

During the year ended 31 December 2023, the Group incurred a net loss of approximately RMB4.03 million. As at that date, the Group had total loans of approximately RMB94.08 million, RMB86.08 million out of RMB94.08 million was overdue since 17 November 2023 ("Defaulted Loan"), and the remaining loans in the People Republic of China ("PRC") of approximately RMB8.0 million are due for repayment within the next twelve months. The Group had cash and bank balances of approximately RMB196.08 million as at 31 December 2023, RMB188.85 million out of RMB196.08 million are maintained by the Group's subsidiaries in the PRC.

On 17 November 2023, the Group received a notice of demand from its convertible bond holder ("CB Holder") for receipt of payment of the principal amount of RMB89,760,000 (equivalent to HK$97,800,000) and the applicable interest at 8% per annum from the maturity date by 22 November 2023, and such repayments are to be settled in Hong Kong dollars. However, the Group did not pay the overdue amount within the timeframe as requested on the notice of demand. The afore discussed has resulted an event of default by the Group.

Up to the date of approval of these consolidated financial statements, the CB Holder has not requested immediate repayment of convertible bond by the Group.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to continue to attain profitable and positive cash flows from operations in the immediate and longer terms and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) As of 18 March 2024, the Group has reserved cash and bank balances of approximately RMB111.42 million maintained by its subsidiaries in the PRC. The directors of the Company expect to remit part of the funds from the PRC through dividend declaration. As of 31 December 2023, one of the subsidiaries in the PRC has retained profits of approximately RMB40.88 million that are available for dividend distributions.

    The remittance of funds is subject to approval from appropriate PRC government authorities. Up to the date of authorisation of the consolidated financial statements, the Group has successfully remitted an amount of RMB4.75 million to its subsidiary in Hong Kong through a dividend declaration;

(b) The Group has concluded a repayment schedule of the Defaulted Loan with the CB Holder. The repayment schedule is made in nine installments with principal repayment of approximately RMB4.55 million (equivalent to HK$5.0 million) per instalment and final principal repayment of approximately RMB48.08 million (equivalent to HK$52.8 million) together with applicable interest payable by December 2024. Up to the date of approval of these consolidated financial statements, the Group has repaid three instalments totalling RMB13.65 million (equivalent to HK$15.0 million) in December 2023, January 2024 and March 2024.

    Up to the date of approval of the consolidated financial statements, no formal repayment agreement has been entered with the CB Holder.

(c) The Group will seek bank financing to finance the settlement of the final payment of approximately RMB48.08 million (equivalent to HK$52.8 million) together with applicable interest payable to the CB Holder.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) successfully complete the process of conversion of RMB into foreign currencies that is required to comply with the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations for remittance of funds held by a subsidiary in the PRC to a subsidiary in Hong Kong;

(ii) the CB Holder not taking any actions against the Group to exercise its rights to demand immediate payment of the principals and interest of the Defaulted Loan;

(iii) successfully entering into repayment agreement with the CB Holder and completing all necessary procedures required by the CB Holder for the repayment agreements to be executed; including but not limited to additional security from both substantial shareholders and the Group, and the Group's ability to continuously comply with the terms and conditions stipulated therein upon execution;

(iv) successfully obtaining bank financing to finance the settlement of the final payment to the CB Holder; and

(v) the Group's ability to generate operating cash flows to finance the Group's operation.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules — Amendments to IAS 12

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Impact on application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

Prior to the adoption of Amendments to IAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of IAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of IAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to IAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 2023, because the deferred tax assets and deferred tax liabilities recognised as a result of the adoption of Amendment of IAS 12 qualify for offset under paragraph 74 of IAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The change does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under IAS 12.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of IAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of IAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of IAS 19.

Based on management's assessment, the change did not have a material impact on the Group's financial positions and performance.

(b) Revised IFRSs in issue but not yet effective

The Group has not early applied any new IFRSs, amendments to IFRSs and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2023. These new IFRSs and amendments to IFRSs and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to IAS 21 — Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company anticipate that the application of all amendments to IFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

	2023 *RMB'000*	2022 *RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Energy Business		
— sales of LNG	**185,515**	199,412
— management fee income	**966**	725
Revenue from other sources		
Rental income from property investments	**171**	392
	186,652	200,529
Timing of revenue recognition		
— At a point in time	**185,515**	199,412
— Over time	**1,137**	1,117
	186,652	200,529

5. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Rental and operation management service income	**5,435**	9,103
Government subsidies *(note)*	**—**	367
Interest income on bank deposits	**794**	104
Others	**251**	—
	6,480	9,574

Note:

Included in the government subsidies during the year ended 31 December 2022 consist of:

(a) a sum of RMB28,000 from the PRC's local government for employment support and encouragement of its Energy Business. There are no specific conditions attached to the incentives and, therefore the Group recognised the incentives upon receipt.

(b) a sum of RMB327,000 which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

6. OTHER LOSSES

	2023	2022
	RMB'000	*RMB'000*
Foreign exchange losses	**(1,934)**	(3,574)
Fair value losses of convertible bonds	**(9,517)**	(5,645)
Fair value losses of investment properties	**—**	(930)
Others	**—**	(43)
	(11,451)	(10,192)

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on:		
— Bank borrowing	**232**	—
— Lease liabilities	**101**	225
— Other loan	**868**	—
— Late payment with suppliers	**600**	—
	1,801	225

8. 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) Energy Business; and (b) Property Investments. 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 of each segment without allocation of administrative expenses, finance costs, other income, other losses, reversal of allowance of impairment on trade receivables, impairment loss on property, plant and equipment, impairment loss on right-of-use assets, and income tax 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 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.

	Energy Business *RMB'000*	**Property Investments** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2023			
Revenue	**186,481**	**171**	**186,652**
Cost of sales	**(193,445)**	**—**	**(193,445)**
Segment results	**(6,964)**	**171**	**(6,793)**
Other income			**6,480**
Other losses			**(11,451)**
Impairment loss on property, plant and equipment			**(25,928)**
Impairment loss on right-of-use assets			**(945)**
Reversal of allowance of impairment on trade receivables			**66,738**
Administrative expenses			**(30,005)**
Finance costs			**(1,801)**
Income tax expense			**(320)**
Loss for the year			**(4,025)**

	Energy Business *RMB'000*	Property Investments *RMB'000*	Total *RMB'000*
For the year ended 31 December 2022			
Revenue	200,137	392	200,529
Cost of sales	(208,478)	—	(208,478)
Segment results	(8,341)	392	(7,949)
Other income			9,574
Other losses			(10,192)
Reversal of allowance of impairment on trade receivables			29,394
Administrative expenses			(24,297)
Finance costs			(225)
Income tax expense			(44)
Loss for the year			(3,739)

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

	2023 ***RMB'000***	2022 *RMB'000*
Customer A (Energy Business)	**94,126**	185,516
Customer B (Energy Business)	**55,207**	—

9. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Current tax		
Provision for the year — the PRC	**(66)**	(39)
Under-provision in prior years	**(4)**	(5)
PRC dividend withholding tax	**(250)**	—
	(320)	(44)

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 2023 and 2022.

PRC Corporate Income Tax has been provided at a rate of 25% (2022: 25%) for the year ended 31 December 2023, except for subsidiaries eligible to be a "Small and Low-profit Enterprise" under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20%.

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 expense and the product of loss before tax multiplied by the respective applicable tax rates is as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss before tax	**(3,705)**	(3,695)
Tax at the respective applicable tax rates	**(1,592)**	(1,030)
Tax effect of expenses not deductible	**(5,536)**	(143)
Tax effect of income not taxable	**172**	627
Tax effect of tax losses not recognised	**(3,062)**	(6,809)
Net tax effect of temporary differences not recognised	**9,952**	7,316
Tax effect of withholding tax	**(250)**	—
Under-provision in prior years	**(4)**	(5)
Income tax expense	**(320)**	(44)

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB26,016,743 (2022: RMB13,820,881) due to the unpredictability of future profit streams. Tax losses are all arisen in the PRC and will be expired within five years for offsetting against future taxable profits.

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries of RMB433,498,000 as at 31 December 2023 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2023	2022
	RMB'000	*RMB'000*
Directors' and chief executive's emoluments	**5,712**	5,137
Salaries and other allowances	**9,402**	7,142
Retirement benefit scheme contributions	**1,067**	1,178
Auditors' remuneration	**1,145**	1,099
Impairment loss on property, plant and equipment	**25,928**	—
Impairment loss on right-of-use assets	**945**	—
Depreciation of property, plant and equipment:		
— recognised in cost of sales	**10,332**	10,332
— recognised in administrative expenses	**1,097**	1,329
Depreciation of right-of-use assets	**1,708**	2,889

11. DIVIDENDS

The board of directors does not recommend any payment of dividend in respect of the years ended 31 December 2023 and 2022.

12. LOSS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	**(6,656)**	(5,254)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**3,666,936**	3,666,936

The computations of diluted loss per share for the years ended 31 December 2023 and 2022 did not assume the exercises of the Company's outstanding share options as these are anti-dilutive.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**331,119**	396,539
Less: allowance of impairment	**(226,218)**	(292,956)
	104,901	103,583
Other receivables	**4,374**	4,299
Prepayments	**32,756**	148,581
Deposits	**492**	518
	142,523	256,981

The settlement periods of the construction related and consultancy services are generally within one to two years after the completion of services. Meanwhile, the credit period granted to sales of LNG customers is 30 days.

The aging analysis of trade receivables net of allowance of impairment on 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:

	2023	2022
	RMB'000	*RMB'000*
0–60 days	**65,347**	81,899
61–180 days	**—**	—
181–270 days	**18,797**	11,155
271 days–1 year	**20,757**	—
Over 1 year but within 2 years	**—**	10,529
	104,901	103,583

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

14. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank borrowing	**8,000**	—
Other loan *(note 15)*	**86,082**	—
	94,082	—

Other loan represents amount payable upon maturity of convertible bond as disclosed in note 15, the Group did not repay the convertible bond within the timeframe as requested by CB holder, therefore, based on the nature and terms of repayment, management has reclassified such from convertible bond to "Other Loan".

As at 31 December 2023, the bank borrowing and other loan are carried an interest rate at 5% per annum and 8% per annum respectively. The defaulted interest rate accrued for the year ended 31 December 2023 is approximately RMB868,000.

The bank borrowing and other loan are repayable within one year and denominated in RMB and HKD respectively.

15. 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.

On 16 November 2023, the Subscriber opted for redemption at 100% of the principal amount.

As disclosed in Note 2, on 17 November 2023, the Group received a notice of demand from the Subscriber for receipt of payment of the principal amount and the applicable interest at 8% per annum from the maturity date by 22 November 2023. However, the Group did not pay the overdue amount within the timeframe as requested on the notice of demand.

Accordingly, based on the nature and terms of repayment, management has reclassified the amount due to "Other Loan" as disclosed in note 14.

In 2022, 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 using Binomial model.

The movement of the convertible bonds is as follows:

	RMB'000
At 1 January 2022	78,796
Payment of interest	(6,876)
Fair value losses	5,645
Exchange difference	7,531
At 31 December 2022 and 1 January 2023	**85,096**
Payment of interest	**(7,041)**
Fair value losses	**9,517**
Exchange difference	**2,192**
Transfer to other loan	**(89,764)**
At 31 December 2023	**—**

16. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**102,762**	104,652
Other payables	**9,258**	8,368
Accruals	**1,885**	1,383
	113,905	114,403

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:

	2023	2022
	RMB'000	*RMB'000*
0–30 days	**201**	461
31–60 days	**—**	—
61–90 days	**—**	—
91–180 days	**—**	—
Over 180 days	**102,561**	104,191
	102,762	104,652

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

17. CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any material contingent liabilities. Except for the following disclosed.

On 23 September and 31 October 2022, two suppliers of the Group initiated two claims against the Group's subsidiary in the PRC. Pursuant to the claim, the suppliers are seeking settlement of approximately RMB5,771,000 together with interest of approximately RMB600,000 for construction works completed in 2018 and 2019.

On 20 June 2023, the court has concluded that the Group is liable to repay the amount claimed by suppliers together with related interest claimed.

As at 31 December 2023, the Group has recorded in the consolidated financial statements an amount of approximately RMB6,779,000 as amount due to the suppliers and accrued interest of approximately RMB600,000.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Group:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Disclaimer Opinion

Multiple Uncertainties Related to Going Concern

As disclosed in Note 2 to the consolidated financial statements, during the year ended 31 December 2023, the Group incurred a net loss of approximately RMB4.03 million. As at that date, the Group had total loans of approximately RMB94.08 million, RMB86.08 million out of RMB94.08 million was overdue since 17 November 2023 ("Defaulted Loan"), and the remaining loans in the People Republic of China ("PRC") of approximately RMB8.0 million are due for repayment within the next twelve months. The Group had cash and bank balances of approximately RMB196.08 million as at 31 December 2023, RMB188.85 million out of RMB196.08 million are maintained by the Group's subsidiaries in the PRC.

On 17 November 2023, the Group received a notice of demand from its convertible bond holder ("CB Holder") for receipt of payment of the principal amount of RMB89,760,000 (equivalent to HK$97,800,000) and the applicable interest at 8% per annum from the maturity date by 22 November 2023 and such repayments are to be settled in Hong Kong dollars. However, the Group did not pay the overdue amount within the timeframe as requested on the notice of demand. The afore discussed has resulted an event of default by the Group.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management of the Company has undertaken a number of measures as set out in Note 2 to the consolidated financial statements to improve the Group's liquidity and financial position, to meet its liabilities as and when they fall due. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(i) successfully complete the process of conversion of RMB into foreign currencies that is required to comply with the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations for remittance of funds held by a subsidiary in the PRC to a subsidiary in Hong Kong;

(ii) the CB Holder not taking any actions against the Group to exercise its rights to demand immediate payment of the principals and interest of the Defaulted Loan;

(iii) successfully entering into repayment agreement with the CB Holder and completing all necessary procedures required by the CB Holder for the repayment agreements to be executed; including but not limited to additional security from both substantial shareholders and the Group, and the Group's ability to continuously comply with the terms and conditions stipulated therein upon execution;

(iv) successfully obtaining bank financing to finance the settlement of the final payment to the CB Holder; and

(v) the Group's ability to generate operating cash flows to finance the Group's operation.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

MANAGEMENT VIEW ON GOING CONCERN

The directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to continue to attain profitable and positive cash flows from operations in the immediate and longer terms and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(a) As of 18 March 2024, the Group has reserved cash and bank balances of approximately RMB111.42 million maintained by its subsidiaries in the PRC. The directors of the Company expect to remit part of the funds from the PRC through dividend declaration. As of 31 December 2023, one of the subsidiaries in the PRC has retained profits of approximately RMB40.88 million that are available for dividend distributions.

The remittance of funds is subject to approval from appropriate PRC government authorities. Up to the date of authorisation of the consolidated financial statements, the Group has successfully remitted an amount of RMB4.75 million to its subsidiary in Hong Kong through a dividend declaration;

(b) The Group has concluded a repayment schedule of the Defaulted Loan with the CB Holder. The repayment schedule is made in nine installments with principal repayment of approximately RMB4.55 million (equivalent to HK$5.0 million) per instalment and final principal repayment of approximately RMB48.08 million (equivalent to HK$52.8 million) together with applicable interest payable by December 2024. Up to the date of approval of these consolidated financial statements, the Group has repaid three instalments totalling RMB13.65 million (equivalent to HK$15.0 million) in December 2023, January 2024 and March 2024.

Up to the date of approval of the consolidated financial statements, no formal repayment agreement has been entered with the CB Holder.

(c) The Group will seek bank financing to finance the settlement of the final payment of approximately RMB48.08 million (equivalent to HK$52.8 million) together with applicable interest payable to the CB Holder.

The directors of the Company have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

As such, assuming the successful implementation of the plans and measure in time with sufficient and appropriate audit evidence can be provided, the disclaimer of opinion is expected to be removed in the consolidated financial statements of the Group for the year ending 31 December 2024.

The Board has discussed the going concern issue with the Group's management and is sincerely satisfied that with the orderly implementation of the plans and measures regarding debt solutions, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Audit Committee has discussed with the Board and the Group's management regarding the going concern issue, and with the orderly implementation of the plans and measures regarding debt solutions, agreed with the position taken by the Group's management and the Board regarding the accounting treatment adopted by the Company.

The Audit Committee also discussed and understood the concerns of the Auditor that uncertainties exist as to whether the Group's management will be able to achieve its plans and measures. There is no disagreement by the Board, the Group's management nor the Audit Committee with the position taken by the Auditor regarding the going concern issue.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Current Year, the Group's total revenue amounted to approximately RMB186.7 million, decreased approximately 6.9% from approximately RMB200.5 million for the Previous Year though we have secured new LNG customers in Tianjin, however, the operation of one of the Group's major LNG stations in Tianjin was suspended since October 2023 due to the customer's heat supply station was on the route of the nationwide natural gas network conversion project. As a result, overall revenue still decreased.

The Group successfully recovered certain long outstanding trade receivables throughout the year. As a result, we recorded a reversal of allowance of impairment on trade receivables of approximately RMB66.7 million (approximately RMB29.4 million for the Previous Year). The reversal for two consecutive years reflects the effectiveness of the Group's efforts to recover long outstanding trade receivables. However, an impairment loss of approximately RMB25.9 million on the property, plant and equipment and approximately RMB0.9 million on right-of-use assets was recorded in the Current Year mainly because of the suspension of one of the major LNG stations in Tianjin.

The Energy Business continued to contribute over 99% to the Group's total revenue. A loss after tax of approximately RMB4.0 million was recorded for the Current Year as compared to a net loss after tax of approximately RMB3.7 million recorded in the Previous Year.

Loss and total comprehensive income attributable to owners of the Company for the Current Year amounted to approximately RMB6.7 million compared to loss and total comprehensive income attributable to owners of the Company of approximately RMB5.3 million recorded for the Previous Year.

Energy Business

The Group is principally engaged in the provision of diverse integrated 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 sales of LNG.

During the Current Year, the Energy Business generated revenue primarily from LNG supply and the management of customers' LNG supply station. The LNG supply business continued to face fierce competition. Also, the construction related and consultancy services of the Energy Business did not show sign of improvement and the coal-to-natural gas conversion in Tianjin is also becoming saturated and the Group expects the number of new projects to continue to decrease in the future.

Starting in the first quarter of 2023, the government of China lifted the travel restrictions, therefore communications with the Group's existing and potential business partners and leads have immediately been resumed and new businesses have been secured progressively. The Group's strategic cooperation with a wholly-owned subsidiary of a top Fortune Global 500 company, namely Jiangsu Shagang Group Co., Ltd. signed in September 2021 commenced operation in April 2022 and continued the business through the supply of LNG to the partner and the management of its LNG supply station.

The Group continues to maintain strategic partnerships with a number of other significant partners with a view to explore new business opportunities with potential customers.

New Energy Business is renamed to Energy Business to in line with the definition of different types of energy source in the market.

Property Investments

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. In November 2022, one of the properties was redesignated for self-use and transferred from investment property to property, plant and equipment. The other one was held for investment purpose and it generated rental income. The investment properties were expected to bring stable long-term rental income to the Group.

FINANCIAL REVIEW

Revenue

For the Current Year, revenue of the Group amounted to approximately RMB186.7 million, representing a decrease of 6.9% from approximately RMB200.5 million for the Previous Year. The decrease was mainly attributable to the decrease in revenue of approximately RMB13.7 million from Energy Business during the Current Year, because the operation of one of the Group's major LNG stations in Tianjin was suspended since October 2023 due to the customer's heat supply station was on the route of the nationwide natural gas network conversion project.

Cost of Sales

The cost of sales of Energy Business decreased to approximately RMB193.4 million as compared to approximately RMB208.5 million for the Previous Year. The decrease was mainly attributable to the decrease in cost in LNG supply during the Current Year.

Gross (Loss)/Profit Margin

	2023	2022
Energy Business	**(3.7%)**	(4.2%)
Property Investments	**100%**	100%
Group total	**(3.6%)**	(4.0%)

Gross loss represents revenue less cost of sales. Gross loss margin of the Energy Business segment decreased from 4.2% for the Previous Year to 3.7% for the Current Year. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both years.

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

Other Losses

Other losses of approximately RMB11.5 million were recorded in the Current Year as compared to other losses of approximately RMB10.2 million in the Previous Year, mainly due to the fair value losses of Convertible Bonds of approximately RMB9.5 million recognised in the Current Year (Previous Year: fair value losses of approximately RMB5.6 million) and the foreign exchange losses of approximately RMB1.9 million recognised in the Current Year (Previous Year: foreign exchange losses of approximately RMB3.6 million).

Administrative Expenses

Administrative expenses increased by 23.5% from approximately RMB24.3 million for the Previous Year to approximately RMB30.0 million for the Current Year. The increase was mainly due to increase in share-based expenses, travelling expenses and entertainment expenses.

Impairment Loss on Property, Plant and Equipment

Impairment loss on property, plant and equipment of approximately RMB25.9 million in the Current Year (Previous Year: nil) was recorded. It is due to the suspension of one of the major LNG stations Tianjin.

Finance Costs

For the Current Year, the Group's finance costs were approximately RMB1.8 million (Previous Year: approximately RMB0.2 million), representing an increase of RMB1.6 million or 700.4%, which was mainly due to increase in the cost incurred from the other loan, late payment with suppliers and bank borrowing.

Income Tax Expense

Income tax expense was recorded approximately RMB0.3 million for the Current Year (Previous Year: income tax expense of approximately RMB0.1 million). It was mainly derived from the effect of PRC dividend withholding tax for the Current Year.

Profit and Total Comprehensive Income Attributable to Non-controlling Interests

Profit and total comprehensive income attributable to non-controlling interest of approximately RMB1.5 million was recorded for the Previous Year and approximately RMB2.6 million was recorded for the Current Year. This was mainly attributable to the net profit recorded by the non-wholly owned subsidiaries in Tianjin.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income attributable to owners of the Company of approximately RMB5.3 million was recorded for the Previous Year and approximately RMB6.7 million was recorded for the Current Year.

Basic and diluted loss per share for the Current Year were both RMB0.002, as compared to basic and diluted loss per share of RMB0.001 for the Previous Year.

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

Energy Business

The results of the Energy Business recorded a decrease in revenue of 6.8% from approximately RMB200.1 million for the Previous Year to approximately RMB186.5 million for the Current Year. The revenue from this business segment accounted for 99.9% of the Group's total revenue (Previous Year: 99.8%).

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

District	2023 Revenue *RMB million*	2022 Revenue *RMB million*
Beichen, Tianjin (北辰區，天津)	**94.1**	185.5
Xiqing, Tianjin (西青區，天津)	**77.6**	—
Zhangjiagang, Jiangshu (張家港市，江蘇)	**14.8**	14.5
Qingdao, Shandong (青島市，山東)	**—**	0.1
	186.5	200.1

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

Property Investments

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. One of the properties was being held for investment purpose and it generated rental income and segmental profit of approximately RMB0.2 million and RMB0.2 million respectively in the Current Year (Previous Year: two properties generated rental income and segmental profit of approximately RMB0.4 million and RMB0.4 million respectively). The investment properties were expected to bring stable long-term rental income to the Group. In November 2022, one of the properties was redesignated for self-use and transferred from investment property to property, plant and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, cash and cash equivalents maintained by the Group were approximately RMB196.1 million, representing an increase of 406.0% from approximately RMB38.8 million as at 31 December 2022, mainly due to funds from collection of trade receivables in the Current Year.

Trade and other receivables as at 31 December 2023 were approximately RMB142.5 million, decreased by 44.5% from approximately RMB257.0 million as at 31 December 2022, which mainly represented the effect of reversal of allowance of impairment on trade receivables and collection of trade receivables.

Trade and other payables decreased from approximately RMB114.4 million as at 31 December 2022 to approximately RMB113.9 million as at 31 December 2023, by 0.4%, mainly reflected the decrease in trade payables from the Energy Business.

Finance lease liabilities raised from right-of-use assets of office locations of approximately RMB1.1 million compared with approximately RMB2.9 million as at 31 December 2022. Both the tax liability as at 31 December 2023 and as at 31 December 2022 were approximately RMB1.4 million.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2023 were approximately RMB338.6 million and approximately RMB210.0 million (31 December 2022: approximately RMB295.7 million and approximately RMB202.7 million) respectively.

The Group had other loan and bank borrowing of approximately RMB86.1 million and approximately RMB8.0 million respectively as at 31 December 2023. The gearing ratio of the Group, measured as bank borrowing and other loan (31 December 2022: convertible bonds) to total equity, increased to 67.6% as at 31 December 2023 (31 December 2022: 59.5%), such increase was due to the drawdown of new bank borrowing for the year ended 31 December 2023. The Group recorded net assets of approximately RMB139.2 million as at 31 December 2023 compared with approximately RMB143.0 million as at 31 December 2022. The decrease was mainly due to the net loss recorded during the Current Year. During the Current Year, the Group financed its operations with the funds from issuance of the Convertible Bonds, bank borrowing 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.

On 16 November 2023, the Convertible Bonds matured and no Convertible Bonds have been converted into new conversion shares of the Company. Pursuant to the terms of the Subscription Agreement, all Convertible Bonds shall be repaid by the Company in Hong Kong dollars on the Maturity Date.

On Maturity Date, the Group did not pay the principal amount. For further details, please refer to the announcements of the Company dated 2 November 2020, 16 November 2020, 16 November 2023 and 17 November 2023 published on the websites of the Stock Exchange and the Company and note 2 of the consolidated financial statements.

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 2023, the Company has utilized approximately HK$45.7 million (equivalent to approximately RMB41.4 million) for general working capital of the Group and approximately HK$14.4 million (equivalent to approximately RMB13.0 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 2023 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 31 December 2023	Unutilised proceeds up to 31 December 2023	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 RMB41.4 million	Nil	By 2024
	(ii) enhancement of the existing business of the Group (50%)	approximately RMB13.0 million	approximately RMB28.3 million	By 2024

CAPITAL STRUCTURE

During the Current Year, no shares was issued and allotted pursuant to the exercise of share options. As at 31 December 2023, the Company had an aggregate of 3,666,936,000 shares of HK$0.00125 each in issue.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 17 to the consolidated financial statements in this announcement.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Current Year.

There is no plans for material investments or capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any mortgage or charge over its assets (Previous Year: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group has approximately 29 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

Green energy LNG is the energy alternative of the future and as such, the potential for domestic growth in China remains significant. China, the world's top LNG importer replaced Japan as the top importer again in the first half of 2023. Global trade in LNG reached 404 million tonnes in 2023, up from 397 million tonnes in 2022. Demand for natural gas continues to rise globally, with LNG demand expects to reach around 625–685 million tonnes a year in 2040, according to the latest industry estimates.

The appetite for more natural gas and LNG in China is partly due to the government's drive to reduce coal use, not only in combating pollution but also for meeting its Paris climate conference commitments. On the opening session of the 20th National Congress of the Communist Party of China, the government highlighted to promote harmony between humans and nature are accelerating the transition to a model of green development and working actively and prudently toward the country's climate targets. China aims to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. China will implement a comprehensive conservation strategy, boost green and low-carbon industries, encourage green consumption and promote green and low-carbon ways of production and life. It is projected that the gas and LNG share in China's energy mix will increase from the current 7% to 12% or more by 2040.

On the backdrop of national policy for green energy, the "14th Five-Year Plan" for a modern energy system proposes that, by 2025, annual production of natural gas will reach more than 230 bcm and national storage capacity will reach 55 to 60 bcm. This plan focuses on ensuring supply chain security through domestic energy generation, while simultaneously promoting the green energy transition. It calls for developing new technologies for energy storage and achieving the goal of advanced industrial chain modernization.

China also advanced the construction of its national network of gas infrastructure, increasing the total length of long-distance natural gas pipelines by more than 3,000 kilometers and gas storage capacity by approximately 5 bcm. The country made progress on several large LNG projects, including putting the Binhai LNG terminal into operation and building the Beijing Gas and Caofeidian LNG terminals. This presents enormous business opportunities for the Group to develop and build its foothold for providing construction, management and supply LNG. The Group is actively exploring，and working closely with its business partners to prepare for the pipeline gas market.

China is also speeding up construction of infrastructure for gas and LNG transportation. China plans to expand LNG terminals along its eastern coast, forming five major regional gas reserve groups. All these measures are in anticipation of China consuming up to 400 bcm of gas per year by the end of the decade. At the same time, China is planning for 34 coastal LNG receiving terminals, with an annual imported capacity of 247 million tonnes by 2035, triple the current capacity.

Following the Group's shared insight for the national policy on the Belt and Road Initiative which was unveiled by President Xi Jinping in 2013 with the objective to restore the country's old land and sea trade routes and to boost economic connectivity between Asia, Europe and Africa. The Group sets its eyeballs on exploring business opportunities of provision of stable LNG supply, management on LNG station and consultancy services on constructions to ASEAN countries on the Belt and Road Initiative following the road steps of the government.

At present, the Group's priority remains to recover, develop and expand the scope of its Energy Business and to expand its emerging network and geographical footprint as China recovers from the epidemic. While putting efforts into the LNG business, the Group will develop pipeline gas market in northern China leveraging the sound relationships with the upstream and downstream natural gas suppliers to provide safer, greener and more efficient natural gas resource to the terminal customers, and it will also seek opportunities to enter other overseas markets to expand its market presence.

The Group will continue to expand its business through forming new joint ventures and mergers and acquisitions, including but not limited to ensuring stable LNG supply and LNG supply station management services.

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 audit functions, 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 Mr. Wang Weijie. The Group's annual report and results announcement for the year ended 31 December 2023 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 code 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 2023 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 contained in Appendix C1 of the GEM Listing Rules (the "Corporate Governance Code"), 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 Corporate Governance Code.

The Directors are of the opinions that the Company and the Board have 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 2023, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 for the Current Year in compliance with the provisions set out in the ESG Reporting Guide in Appendix C2 to the GEM Listing Rules will be published on the Stock Exchange's website and the Company's website at the same time as the publication of the annual report of the Company.

Communication with Shareholders and Investor Relations

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders. The Company has adopted the shareholders communication policy, which ensures that shareholders are provided with ready, equal, and timely access to information about the Company. The policy is regularly reviewed to ensure its effectiveness.

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

GEM Listing Reformation

The HKEx announced the GEM listing reforms and proposed changes to the Listing Rules is effective from 1 January 2024. One of the key changes is removal of the mandatory quarterly reporting requirements for GEM listed companies and the alignment of other ongoing obligations with those of the Main Board listed companies. For those changes have taken effect, the Company will only publish its interim results and annual results afterward.

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

Hong Kong, 26 March 2024

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 Mr. Wang Weijie.

This announcement will remain on the GEM website at www.hkgem.com and, in the case of this announcement, on the "Latest Listed Company Information" 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.