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CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

(Incorporated in the Cayman Islands with members' limited liability)

(Stock code: 1940)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- The revenue for the Reporting Period amounted to approximately RMB1,491.15 million, representing an increase of approximately 0.64% from approximately RMB1,481.64 million for the year ended 31 December 2022.
- The gross profit for the Reporting Period was approximately RMB332.10 million, representing a decrease of approximately 2.85% from approximately RMB341.85 million for the year ended 31 December 2022.
- The net profits for the Reporting Period amounted to approximately RMB128.08 million, representing an increase of approximately 13.61% from approximately RMB112.74 million for the year ended 31 December 2022.
- The basic and diluted earnings per Share attributable to equity shareholders of the Company for the Reporting Period were approximately RMB0.11 and RMB0.11, respectively. Basic and diluted earnings per Share attributable to equity shareholders of the Company for the year ended 31 December 2022 were approximately RMB0.09 and RMB0.09, respectively.
- As at 31 December 2023, the gearing ratio of the Group was 35.5% as compared to 42.3% as at 31 December 2022.
- The Board does not recommend the payment of a final dividend for the Reporting Period.

In this announcement, “we”, “us”, “our” and “China Gas” refer to the Company and where the context otherwise requires, the Group (as defined below). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the prospectus of the Company dated 16 December 2020 (the “**Prospectus**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | | 2023 | 2022 |
|---|--------------|---------------------------|------------------------|
| | <i>Notes</i> | <i>RMB</i> | <i>RMB</i> |
| Revenue | 5 | 1,491,153,988 | 1,481,644,241 |
| Cost of revenue | | <u>(1,159,051,046)</u> | <u>(1,139,793,628)</u> |
| Gross profit | | 332,102,942 | 341,850,613 |
| Selling and marketing expenses | | (1,893,235) | (2,000,851) |
| Administrative expenses | | (54,391,469) | (82,179,138) |
| Credit loss allowance for trade receivables | | (15,363,770) | (8,135,000) |
| Research and development expenses | | (73,603,329) | (75,341,624) |
| Other income | 6 | 5,380,401 | 974,626 |
| Other (losses)/gains, net | 7 | <u>(17,751,284)</u> | <u>11,869,338</u> |
| Operating profit | | 174,480,256 | 187,037,964 |
| Finance income | 8 | 3,932,470 | 1,435,829 |
| Finance costs | 8 | <u>(25,647,919)</u> | <u>(27,455,883)</u> |
| Finance costs, net | | <u>(21,715,449)</u> | <u>(26,020,054)</u> |
| Profit before income tax | 9 | 152,764,807 | 161,017,910 |
| Income tax expense | 10 | <u>(24,688,546)</u> | <u>(48,275,390)</u> |
| Profit for the year attributable to owners of the Company | | <u>128,076,261</u> | <u>112,742,520</u> |
| Other comprehensive income, net of tax | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Currency translation differences | | <u>(479,050)</u> | <u>(8,939,331)</u> |
| Total comprehensive income for the year | | <u>127,597,211</u> | <u>103,803,189</u> |
| Total comprehensive income attributable to owners of the Company | | <u>127,597,211</u> | <u>103,803,189</u> |
| Earnings per Share – Basic and diluted | 11 | <u>0.11</u> | <u>0.09</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | | 2023 | 2022 |
|---|--------------|----------------------|----------------------|
| | <i>Notes</i> | <i>RMB</i> | <i>RMB</i> |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 1,527,518,212 | 1,560,472,364 |
| Right-of-use assets | | 43,587,482 | 43,676,683 |
| Intangible assets | | – | – |
| Deferred tax assets | | 4,956,487 | 3,304,108 |
| Rental deposit | | 173,994 | – |
| Other assets | | 43,865,825 | 8,432,808 |
| | | <u>1,620,102,000</u> | <u>1,615,885,963</u> |
| Current assets | | | |
| Inventories | | 9,709,236 | 11,635,569 |
| Trade receivables | 14 | 543,918,046 | 567,035,544 |
| Loan receivables | 15 | – | – |
| Note investment | 16 | – | – |
| Prepayments, deposits and other receivables | | 16,955,555 | 22,568,010 |
| Financial assets at fair value through other comprehensive income (“FVOCI”) | | 79,658,832 | 28,812,893 |
| Cash and cash equivalents | | 202,617,643 | 360,738,465 |
| | | <u>852,859,312</u> | <u>990,790,481</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | 371,046,210 | 584,316,014 |
| Contract liabilities | 5 | 6,225,082 | 8,853,806 |
| Borrowings | | 287,000,000 | 241,760,000 |
| Lease liabilities | | 2,128,151 | 10,834,491 |
| Income tax payable | | 1,838,049 | 14,721,087 |
| | | <u>668,237,492</u> | <u>860,485,398</u> |
| Net current assets | | <u>184,621,820</u> | <u>130,305,083</u> |
| Total assets less current liabilities | | <u>1,804,723,820</u> | <u>1,746,191,046</u> |

| | 2023 | 2022 |
|---|-----------------------------|----------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Non-current liabilities | | |
| Borrowings | 246,000,000 | 330,770,119 |
| Lease liabilities | 2,659,874 | 2,428,882 |
| Deferred tax liabilities | 42,633,676 | 27,158,986 |
| | <u>291,293,550</u> | <u>360,357,987</u> |
| NET ASSETS | <u>1,513,430,270</u> | <u>1,385,833,059</u> |
| Capital and reserves | | |
| Equity attributable to owners of the Company | | |
| Share capital | 836,016 | 836,016 |
| Other reserves | 1,345,135,711 | 1,329,304,835 |
| Retained earnings | 167,458,543 | 55,692,208 |
| | <u>1,513,430,270</u> | <u>1,385,833,059</u> |
| TOTAL EQUITY | <u>1,513,430,270</u> | <u>1,385,833,059</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

China Gas Industry Investment Holdings Co. Ltd. (the “**Company**”) was incorporated in the Cayman Islands on 4 August 2006 as an exempted company with limited liability. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The Company and its subsidiaries (together “**the Group**”) is principally engaged in the production and supply of industrial gases in the PRC.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”) and Interpretations (collectively “**IFRS Accounting Standards**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“**FVOCI**”) which is carried at fair value.

(c) Functional and presentation currency

The functional currency of the Company is United States dollars (“**USD**”) and the subsidiaries established in the PRC considered Renminbi (“**RMB**”) as their functional currency. The consolidated financial statements are presented in RMB as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

(d) Prior year Investigation

On 24 March 2021, the board of directors (the “**Director(s)**”) of the Company (the “**Board**”) was informed by the previous auditor that they required additional information and documentation on (i) three overdue receivables of the Company as at 31 December 2020 (as detailed in sub-notes II (i) to (iii) below as Transaction 1, Transaction 2 and Transaction 3 and also in note 15); and (ii) the investment in a loan notes by the Company in January 2021 (as disclosed below in sub-note II (iv) as Transaction 4 and also in note 16) during the course of the consolidation financial statements for the year ended 31 December 2020. According to the resignation letter of the previous auditor, the management provided preliminary explanation that the Transaction 1, Transaction 2 and Transaction 3 were entered into in order to attract the counter-parties who intended to subscribe for the Company’s shares (the “**Shares**”) upon the Company’s initial public offering (“**IPO**”) and Transaction 4 was entered into purely for the purpose of managing the Company’s free cash to earn a higher return and was not associated with Transactions 1, 2 and 3.

I. Scope of the Investigation and the Expanded Investigation

Upon receiving the previous auditor's notification, on 24 March 2021, the Board formed an independent investigation committee comprising certain Directors, including all the independent non-executive Directors (the "**Investigation Committee**"), to carry out an independent investigation (the "**Investigation**") on the matters raised by the previous auditor. On 12 April 2021, an accounting firm that is not the Company's auditor (the "**Forensic Accountant**") was appointed as the independent forensic accountant to assist the Investigation Committee in conducting the Investigation.

On 8 May 2021, Mr. David T Chen ("**Mr. Chen**") (a then executive Director and the then chairman of the Board) upon the request of the Investigation Committee and in order to facilitate the Investigation, agreed to have all his day-to-day duties, powers and authorities suspended pending outcome of the Investigation.

The primary scope of the Investigation is to conduct an independent fact-finding in respect of Transactions 1, 2, 3 and 4 (the "**Transactions**"), so as to help assess whether or not there were reasonable commercial substance and business rationale behind the Transactions. The major investigation procedures conducted by the Forensic Accountant included, but not limited to, the following:

- (i) obtaining and reviewing relevant documents and correspondences relating to the Transactions (including but not limited to the Loan Agreement 1, Loan Agreement 2 and Loan Agreement 3 and Investment Agreement (all of which were defined in the sub-heading "**Summary of the Key Findings of the Investigation**"), correspondences between the Group and the counterparties to the Transactions or others with respect to the Transactions, internal records of the Company, bank documentation, payment proof of listing expenses incurred for the IPO by the Company and the list of investors during the IPO and the corresponding subscription records;
- (ii) reviewing the internal control policies and procedures of the Group in relation to the entering of the Transactions and conducting interviews with relevant personnel of the Group who are responsible for carrying out such procedures;
- (iii) conducting interview with relevant personnel of the Group (including Directors, management, employees from the finance department and other relevant personnel) to understand, among others, the circumstances leading to the entering of the Transactions (including the approval procedures), as well as its business rationale and commercial substance;
- (iv) conducting interviews with relevant representatives of two of the underwriters to the IPO to understand, among others, the circumstances leading to the entering of the Transactions, as well as to ascertain whether they took any role in the entering of the Transactions and whether they have any relationships with the counterparties to the Transactions; and
- (v) performing preservation on electronic data under the custody of relevant personnel of the Group, developing search terms pertaining to the Transactions and reviewing electronic data with responsive hits of the search terms.

On 22 July 2021, having considered the then state of findings from the Investigation, and with agreement from the previous auditor, the Investigation Committee decided to expand the scope of the Investigation to cover certain business activities of the Group conducted by Mr. Chen and Mr. Bai Xueping (“**Mr. Bai**”) (the then chief financial controller of the Company) for the period between 1 January 2021 to 30 April 2021 (the “**Expanded Investigation**” together with the Investigation, the “**Independent Investigation**”) pursuant to the recommendation of the previous auditor. The primary scope of the Expanded Investigation focused on a review period from 1 January 2020 to 30 April 2021 to understand the involvement of Mr. Chen and Mr. Bai in the management of the Group, including as to day-to-day business operations, investment or fund-raising activities, chop and contract management process and conducting sample testing to investigate whether Mr. Chen and Mr. Bai had engaged in conduct which overrode the Group’s existing corporate governance mechanisms.

The Independent Investigation was completed in March 2022 with the following key findings:

II. Summary of the Key Findings of the Investigation

The Independent Investigation had certain limitations in respect of the nature and extent of the procedures conducted. During the course of the preparation of the consolidated financial statements of the Group for the year ended 31 December 2020, the Board took into account the following findings of the Independent Investigation, considered the relevant information and supporting evidence available and had used their best effort to estimate the relevant financial impact of the matters identified in the Independent Investigation.

- (i) Transaction 1 – RMB50,000,000 advanced by the Company to Company A on 7 December 2020 pursuant to a loan agreement dated 30 November 2020 (the “**Loan Agreement 1**”) signed by the Company as lender and Company A as borrower, purporting to set out the terms for a loan of RMB50,000,000 from the Company to Company A at an interest rate of 2% per annum, repayable on 30 December 2020.
- (ii) Transaction 2 – RMB53,522,000 advanced by the Company to Company B on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the “**Loan Agreement 2**”) signed by the Company as lender and Company B as borrower, purporting to set out the terms for a loan of RMB53,522,000 from the Company to Company B at an interest rate of 2% per annum, repayable on 30 December 2020.
- (iii) Transaction 3 – RMB14,478,000 advanced by the Company to Company C (Company C and together with Company A and Company B, the “**Borrowers**”) on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the “**Loan Agreement 3**” and together with Loan Agreement 1 and Loan Agreement 2, the “**Loan Agreements**”) signed by the Company as lender and Company C as borrower, purporting to set out the terms for a loan of RMB14,478,000 from the Company to Company C at an interest rate of 2 % per annum, repayable on 30 December 2020.
- (iv) Transaction 4 – HK\$80,000,000 (approximately RMB66,400,000) paid by the Company on 28 January 2021 pursuant to a subscription agreement dated 18 January 2021 (the “**Investment Agreement**”) in respect of HK\$80,000,000 secured loan note (“**Investment**”) issued by Company D with a fixed return of 4.5% per annum, due on 17 December 2021.

Findings of the Investigation

- (i) Between 30 November 2020 and 1 December 2020, Mr. Chen on behalf of the Company entered into the Loan Agreements with the Borrowers for the advancement of short term loans in an aggregate sum of RMB118,000,000 (the “**Loans**”).
- (ii) On 7 December 2020, the Company transferred RMB50,000,000 from RMB sub-account (the “**Bank A RMB Sub-Account**”) of a bank account held by the Company at a bank (the “**Bank A Account**”) to Company A. On 10 December 2020, the Company transferred RMB53,522,000 and RMB14,478,000 from the Bank A RMB Sub-Account to Company B and Company C, respectively.
- (iii) The telegraphic transfers of the Loans from the Company’s Bank A RMB Sub-Account to each of the Borrowers were approved by Mr. Chen and Mr. Bai (at the behest of Mr. Chen).
- (iv) The Loan Agreements were not tabled before the Board for discussion or approval. The Board had not approved the Loan Agreements. Mr. Chen admitted that the Loan Agreements were entered into without the Board’s prior approval and any background check on the Borrowers and that no guarantee was provided as security for the Loans.
- (v) Mr. Chen contended that the sum of RMB118,000,000 paid out from the Company’s Bank A RMB Sub-Account were dividend payable to China Gas Investors Ltd. (a controlling shareholder of the Company) (“**CGI**”) and were therefore funds belonging to CGI. Mr. Chen had not sought consent from CGI in relation to the change of use of the said funds and the change of use of the said funds had not been approved in compliance with the articles of association of the Company (the “**Articles**”). The Directors interviewed by Forensic Accountant considered that the funds in the Bank A RMB Sub-Account were dividends payable to the shareholders of the Company and belonged to the Company and that any change of the use of the funds in the Bank A RMB Sub-Account must comply with the provisions of the Articles and the relevant procedure of the Company.
- (vi) The Bank A Account is held in the name of and is owned by the Company. The Bank A RMB Sub-Account was set up to hold dividend payable to the shareholders of the Company before completion of the IPO. In the financial statements of the Company published during the IPO and audited by the previous auditors, the asset of the Company comprised such Bank A Account.
- (vii) According to Mr. Chen, the business rationale for making the Loans was to obtain confidence and good impression from the investors and fulfil their financial needs, so as to attract investors to make investment in the Company in the IPO and the making of the Loans had no direct connection with the IPO. According to Mr. Chen, it was after the IPO that one of the underwriters of the IPO notified him that a subscriber who subscribed for the Shares for the sum of US\$18,000,000 at the IPO is the sole director and sole shareholder of Company A, the sole director and sole shareholder of Company D, and a former director and shareholder of Company C. Based on the IPO share allocation list, such subscriber subscribed for 13,138,000 Shares.
- (viii) Notwithstanding the fact that the Borrowers were three different companies, the Borrowers were potentially associated with one another given that the form and content of the Loan Agreements were highly similar and that certain direct and indirect connections among the Borrowers were identified through desktop internet searches conducted by the Forensic Accountant.

- (ix) On 18 January 2021, Mr. Chen on behalf of the Company entered into the Investment Agreement with Company D. On 28 January 2021, the Company paid HK\$80,000,000 to Company D via a bank account maintained with another bank (“**Bank B**”) (the “**Bank B Account**”) which held the IPO proceeds. The Investment Agreement was not tabled before the Board for discussion and the Investment was not approved by the Board contrary to the Company’s policy on financial management and control. The telegraphic transfer of the Investment from the Bank B Account of the Company was approved by Mr. Chen and Mr. Bai (at the behest of Mr. Chen).
- (x) In a board preparatory meeting held on 13 January 2021, Mr. Chen made brief reference to potential investments with IPO proceeds. As the information provided by Mr. Chen was limited, the Directors who participated in the meeting required that the use of the IPO proceeds must comply with law and regulations and save for a portion of the IPO proceeds allocated for use for the Company’s Hong Kong office, the remaining IPO proceeds should be remitted back to mainland China and be applied for the purposes set out in the IPO prospectus of the Company. According to the Company’s policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. No resolution was passed in such meeting in relation to the investment products proposed by Mr. Chen.
- (xi) According to Mr. Chen, the purpose of the Investment was to earn a higher return. Mr. Chen admitted that the Investment Agreement was entered into (i) contrary to legal advice he had obtained from the Company’s then legal advisers, and (ii) before any due diligence was conducted and before any security documents were obtained.
- (xii) Mr. Bai expressed the view that he personally did not agree to the Transactions and suspected that the counterparties of the Transactions were potentially associated with one another, and that there was a possibility that the Investment Agreement was entered into for the purpose of expediting the repayment of the Loans. According to Mr. Bai, the telegraphic transfer was signed by him at the behest of Mr. Chen.
- (xiii) On 31 March 2021, Mr. Chen told a number of Directors that if the Company agreed to a “put option” agreement (the “**Proposed Option Agreement**”), Company A would procure immediate repayment of the Loans to the Company. Mr. Chen alleged that the Proposed Option Agreement was proposed by Company A but to be entered into with another subscriber of the IPO in respect of not more than 100,000,000 Shares at an option price of HK\$1.5 per Share, with an exercise period of 5 to 31 days after the signing of the Proposed Option Agreement. The Proposed Option Agreement was in draft form and did not bear a signatory block for Company A or any known representative of Company A. Mr. Chen did not proffer a reasonable explanation as to why Company A was willing to procure immediate repayment of all three loans if the Proposed Option Agreement was entered. Mr. Chen also did not provide relevant background information about the proposed counterparty. The Proposed Option Agreement was voted down by the Board.
- (xiv) The Forensic Accountant conducted an analysis of the top 38 investors in the international offering tranche of the IPO and found that as at 15 November 2021, ten of such investors (representing shareholdings of 96,178,000 shares in aggregate) were potentially connected, of which: (i) three investors (representing shareholdings of 36,110,000 Shares in aggregate) appeared to have direct connection with the counter-parties of the Transactions and (ii) seven investors (representing shareholdings of 60,068,000 Shares in aggregate) appeared to have indirect connections with the counter-parties of the Transactions.

Findings of the Expanded Investigation

- (i) On 20 February 2021, the Company and Xijie'ai (Shanghai) Investment Management Co., Ltd ("**Xijie'ai**") entered into an agreement ("**Xijie'ai Agreement**") whereby the Company agreed to reimburse Xijie'ai a sum of HK\$2,000,000 for expenses paid by Xijie'ai for the Company in relation to the preparation of the IPO. Mr. Chen was involved in the signing of the Xijie'ai Agreement on behalf of the Company as well as for Xijie'ai.
- (ii) On 7 April 2021, a sum of HK\$2,000,000 was paid to Xijie'ai via a bank account of the Company maintained with Bank B.
- (iii) Xijie'ai is a wholly-owned company established in the PRC on 9 May 2007 by OxyChina Limited (a company incorporated under the law of the British Virgin Islands and is owned as to 70% by Mr. Chen, 10% by Mr. Bai and by two independent third parties of the Company each holding 10%). The legal representative of Xijie'ai is Mr. Chen.
- (iv) According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. There are no documents (such as board meeting minutes or board resolutions) to support that the Xijie'ai Agreement was approved by the Board.
- (v) According to the Articles, a director who to his knowledge is, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or in any other case at the first meeting of the board after he knows that he is or has become so interested. None of the supporting documents or representations provided by the Company to the Forensic Accountant shows that Mr. Chen and Mr. Bai had declared his interest to the Board.
- (vi) Save and except for the Xijie'ai Agreement entered into with Xijie'ai, the Expanded Investigation has not uncovered direct evidence of management override of Mr. Chen and Mr. Bai.

The Board had reviewed the content and the findings of the Investigation and the Expanded Investigation. The Board was of the view that the Investigation and the Expanded Investigation had comprehensively investigated into the matters raised by the previous auditor. The Board was of the view that, based on its review of the findings of the Independent Investigation and on balance, the nature of Transactions 1 to 3 was likely to be as stated in the Loan Agreements that they were loans from the Company to the Borrowers, and the nature of Transaction 4 was likely to be as stated in the Investment Agreement that it was an investment in loan note made by the Company for the purpose of managing free cash to earn higher return. None of the Transactions was approved by the Board. Notwithstanding the Forensic Accountant's conclusion that save and except for the Xijie'ai Agreements, the Expanded Investigation did not uncover direct evidence of management override by Mr. Chen and Mr. Bai, given that none of the Transactions were approved by the Board, and that, in particular, the telegraphic transfers made pursuant to the Loan Agreements and the Investment Agreement were approved by Mr. Chen and Mr. Bai themselves, the Board considered that there was management override by Mr. Chen and Mr. Bai.

Although the Company had continuously demanded for settlement with the Borrowers, the Company has not received any repayment up to date. After taking into account that the Loans became long overdue and recoverability of the balances, the Group considered that it was unlikely to recover the outstanding loan balances of RMB118,000,000 and hence an impairment provision on loan receivables of RMB118,000,000 was made and recorded separately as a line item in the consolidated statement of comprehensive income for the year ended 31 December 2020.

On 17 December 2021 when the Investment became due, the Company did not receive any repayment, and the Company has not received any repayment since then. Although the Company had continuously demanded settlement from the counter-parties, the Company has not received any repayment up to date. After taking into account recoverability of the balance, the Group considered that it was unlikely to recover the outstanding investment balance of RMB66,400,000 and hence an impairment provision on note investment of RMB66,400,000, which was made and recorded separately as a line item in the consolidated statement of comprehensive income for the year ended 31 December 2021.

During the year ended 31 December 2022, after taking into account the possibility of recoverability, RMB118,000,000 and RMB66,400,000 of the loan receivables and note investment were written off and are disclosed in note 15 and note 16, respectively.

(e) Development for the year ended 31 December 2023

During the year ended 31 December 2023, the Company continued to take actions to recover the outstanding amounts from the relevant parties, including acting as plaintiff to issue writ of summons in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “**Court**”) against each of Company A, Company B, Company C and Company D as defendant for, among other things, the respective outstanding balances and interests. As the Company did not receive any response to the writs of summons, the Company applied to the Court to enter default judgment against Company A, Company B, Company C and Company D.

During the year ended 31 December 2023, the Court gave judgments in favour of the Company and granted default judgment against each of Company A, Company B, Company C and Company D for, among other things, the respective outstanding balances and interests.

As at the date of this announcement, the Company revisited the recoverability of the loan receivables and note investment and considered there is no reasonable expectation to recover the outstanding balance.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS ACCOUNTING STANDARDS”)

(a) New standards, interpretations and amendments adopted from 1 January 2023

The Group has adopted the following IFRS Accounting Standards which became effective for the financial year beginning on 1 January 2023.

| | |
|---|--|
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| IFRS 17 | Insurance Contracts and related Amendments |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendment to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendment to IAS 12 | International Tax Reform – Pillar Two Model Rules |

The Directors do not anticipate that the application of the amendments have a significant impact on the consolidated financial statements.

(b) New or amended IFRS Accounting Standards that have been issued but are not yet effective

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

| | |
|----------------------------------|--|
| Amendments to IFRS 16 | Liability in a Sale and Leaseback ¹ |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to IAS 1 | Non-current Liabilities with Covenants ¹ |
| Amendments to IAS 7 | Supplier Finance Arrangements ¹ |
| Amendments to IAS 21 | Lack of Exchangeability ² |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Directors do not anticipate that the application of the amendments and revision in the future will have a significant impact on the consolidated financial statements.

4. SEGMENT INFORMATION

The executive Directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group is primarily engaged in the production and supply of industrial gas in the PRC. Additionally, the Group is involved in production and supply of liquefied natural gas ("LNG") and related gas transmission service. The Group also provides technical support and management services. The chief operating decision-makers assess performance of the business based on a measure of operating results and consider the business from the product perspective. Information reported to the chief operating decision-makers for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified three (2022: two) operating segments as follows:

- Supply of industrial gas
- LNG and gas transmission service
- Technical support and management services

- (i) The Group's reportable segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

| | Year ended 31 December 2023 | | | | |
|-----------------|---|--|---|---------------------------|---------------------|
| | Supply of industrial gas (pipeline and liquefied) <i>RMB</i> | LNG and gas transmission service <i>RMB</i> | Technical support and management services <i>RMB</i> | Elimination <i>RMB</i> | Group <i>RMB</i> |
| Segment revenue | 1,203,621,320 | 305,356,594 | 2,917,278 | (20,741,204) | 1,491,153,988 |
| Gross profit | <u>320,611,598</u> | <u>10,050,185</u> | <u>1,441,159</u> | <u>-</u> | <u>332,102,942</u> |

| | Year ended 31 December 2022 | | | | |
|-----------------|---|--|---|---------------------------|---------------------|
| | Supply of industrial gas (pipeline and liquefied) <i>RMB</i> | LNG and gas transmission service <i>RMB</i> | Technical support and management services <i>RMB</i> | Elimination <i>RMB</i> | Group <i>RMB</i> |
| Segment revenue | 1,194,342,987 | 305,207,749 | - | (17,906,495) | 1,481,644,241 |
| Gross profit | <u>334,105,185</u> | <u>7,745,428</u> | <u>-</u> | <u>-</u> | <u>341,850,613</u> |

(ii) Geographic information

The Company is domiciled in the Cayman Islands while the Group operates its business in mainland China and all its revenue is derived in mainland China. Accordingly, no geographical information on the total revenues is presented.

(iii) Information about major customers

The customers which contributed more than 10% of the total revenue of the Group are as follows:

| | 2023 <i>RMB</i> | 2022 <i>RMB</i> |
|------------|----------------------|----------------------|
| Customer A | <u>1,084,929,182</u> | <u>1,005,008,243</u> |

5. REVENUE

All the Group's revenue is derived from contracts with customers.

The Group is principally engaged in the production and supply of industrial gases, liquefied natural gas and related gas transmission service in the PRC. An analysis of the Group's revenue by category for the year ended 31 December 2023 and 2022 is disclosed as follows:

| | 2023 | 2022 |
|--|----------------------|---------------|
| | RMB | RMB |
| Recognised at a point in time | | |
| Supply of pipeline industrial gas | 998,622,439 | 927,740,024 |
| Supply of liquefied industrial gas | 165,703,046 | 228,032,728 |
| Supply of LNG and gas transmission service | 305,356,594 | 305,207,749 |
| Technical support and management services | 2,917,278 | – |
| Others | 18,554,631 | 20,663,740 |
| | 1,491,153,988 | 1,481,644,241 |

Contract liabilities

The Group presents advances from customers as contract liabilities on the consolidated statement of financial position.

The Group has recognised the following contract liabilities:

| | 2023 | 2022 |
|---|------------------|------------|
| | RMB | RMB |
| <i>Contract liabilities arising from:</i> | | |
| – Supply of liquefied industrial gas | 3,542,269 | 4,296,926 |
| – Supply of LNG | 2,112,083 | 4,053,350 |
| – Others | 570,730 | 503,530 |
| | 6,225,082 | 8,853,806 |

Revenue recognised in relation to contract liabilities

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

| | 2023 | 2022 |
|------------------------------------|------------------|------------|
| | RMB | RMB |
| Supply of liquefied industrial gas | 4,068,197 | 2,879,697 |
| Supply of LNG | 3,506,820 | 2,176,986 |
| Others | 427,276 | 524,318 |
| | 8,002,293 | 5,581,001 |

6. OTHER INCOME

| | 2023 RMB | 2022 RMB |
|-----------------------------------|------------------|----------------|
| Government grants (<i>note</i>) | 5,324,539 | 830,219 |
| Others | 55,862 | 144,407 |
| | <u>5,380,401</u> | <u>974,626</u> |

Note: Government grants are all income related and there exists no unfulfilled conditions or other contingencies attaching to these government grants.

7. OTHER (LOSSES)/GAINS, NET

| | 2023 RMB | 2022 RMB |
|---|---------------------|-------------------|
| Net foreign exchange gains | 1,917,896 | 19,620,971 |
| Written off of property, plant and equipment (<i>note 13</i>) | (19,309,391) | (7,537,864) |
| Others | (359,789) | (213,769) |
| | <u>(17,751,284)</u> | <u>11,869,338</u> |

8. FINANCE COSTS, NET

| | 2023 RMB | 2022 RMB |
|---------------------------------------|----------------------------|----------------------------|
| <i>Finance income:</i> | | |
| Interest income from bank deposits | 3,932,470 | 1,435,829 |
| <i>Finance costs:</i> | | |
| Interest expenses on bank borrowings | (29,002,175) | (29,826,809) |
| Discount interest | (542,923) | – |
| Interest expense on lease liabilities | (203,336) | (197,783) |
| Add: amount capitalised | 4,100,515 | 2,568,709 |
| Finance costs expensed | <u>(25,647,919)</u> | <u>(27,455,883)</u> |
| Finance costs, net | <u>(21,715,449)</u> | <u>(26,020,054)</u> |

Finance costs have been capitalised on qualifying assets at average interest rates of 4.86% per annum for the year ended 31 December 2023 (2022: 4.99%).

9. EXPENSES BY NATURE

| | 2023 <i>RMB</i> | 2022 <i>RMB</i> |
|--|--------------------|--------------------|
| Auditor's remuneration | 3,200,000 | 3,700,000 |
| Consumption of utilities | 803,384,731 | 796,860,170 |
| Consumption of raw materials and low value consumables | 173,404,120 | 186,939,664 |
| Changes in inventories of finished goods | 567,580 | 102,409 |
| Amortisation of right-of-use assets | 1,950,471 | 1,990,028 |
| Depreciation of property, plant and equipment (<i>note 13</i>) | 130,372,407 | 124,107,610 |
| Employee benefits expenses | 55,370,540 | 58,384,236 |
| Amortisation of intangible assets | – | 269,348 |
| Professional service fee | 5,350,506 | 26,258,691 |
| Credit loss allowance for trade receivables | 15,363,770 | 8,135,000 |
| | <u>15,363,770</u> | <u>8,135,000</u> |

10. INCOME TAX EXPENSE

The income tax expense of the Group is analysed as follows:

| | 2023 <i>RMB</i> | 2022 <i>RMB</i> |
|--|--------------------|--------------------|
| Current tax | | |
| – PRC enterprise income tax | 10,866,235 | 31,152,096 |
| Deferred tax | | |
| – Charged to profit or loss for the year | 13,822,311 | 17,123,294 |
| | <u>13,822,311</u> | <u>17,123,294</u> |
| Income tax expense | 24,688,546 | 48,275,390 |
| | <u>24,688,546</u> | <u>48,275,390</u> |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

| | 2023 <i>RMB</i> | 2022 <i>RMB</i> |
|---|--------------------|--------------------|
| Profit before income tax expense | 152,764,807 | 161,017,910 |
| Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned | 38,191,202 | 40,254,478 |
| Effect of different tax rates in other jurisdictions (<i>note (a)</i>) | 2,960,238 | 3,272,144 |
| Preferential income tax rates applicable to subsidiaries and branches (<i>note (b)</i>) | (11,567,023) | (1,556,682) |
| Tax effect of expenses not deductible for tax purposes | 472,344 | 152,806 |
| Withholding tax on profits made in China (<i>note (c)</i>) | 15,474,690 | 18,390,319 |
| Utilisation of previously unrecognised deductible temporary differences | (10,482,567) | (331,868) |
| Tax losses for which no deferred income tax assets were recognised | 1,446,584 | 4,799,287 |
| Super deduction for research and development (<i>note (d)</i>) | (11,752,528) | (16,651,814) |
| Income not subject to tax (<i>note (e)</i>) | (49,786) | (63,171) |
| Others | (4,608) | 9,891 |
| | <u>(4,608)</u> | <u>9,891</u> |
| Income tax expense | 24,688,546 | 48,275,390 |
| | <u>24,688,546</u> | <u>48,275,390</u> |

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is not subject to income tax. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) PRC enterprise income tax

Income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practises in respect thereof. The general corporate income tax rate in the PRC is 25%. Tangshan Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC and was entitled to a preferential income tax rate of 15% in the years of 2019, 2020 and 2021. In 2022, Tangshan Tangsteel Gases Co., Ltd. renewed this qualification and will continue to enjoy this preferential tax rate of 15% in the years of 2022, 2023 and 2024. Luanxian Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2022, and is entitled to a preferential income tax rate of 15% in the years of 2022, 2023 and 2024.

(c) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. The Company has recognised deferred tax liabilities for undistributed profits of its subsidiaries in the PRC.

(d) Super deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period. According to regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2018 to 2020, later extended to 2023, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period. In March 2023, the State Tax Bureau of the People's Republic of China issued a notice to announce enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period.

(e) Income not subject to tax

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China, the Group's subsidiaries in Mainland China are entitled to deduct 10% of their revenue generated from supply of self-produced industrial hydrogen gas when determining their assessable profits during the period.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per Share is based on the following data.

| | 2023 | 2022 |
|---|----------------------|----------------------|
| | RMB | RMB |
| Earnings | | |
| Profit for the year attributable to owners of the Company | <u>128,076,261</u> | <u>112,742,520</u> |
| | 2023 | 2022 |
| | Number | Number |
| Number of Shares | | |
| Weighted average number of ordinary shares | <u>1,200,000,000</u> | <u>1,200,000,000</u> |

Note:

Diluted earnings per share were the same as the basic earnings per Share as the Group had no potential dilutive ordinary shares during the years ended 31 December 2023 and 2022.

12. DIVIDENDS

At a meeting of the Board held on 25 March 2024, the Directors did not recommend the payment of a final dividend for the Reporting Period (2022: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group had additions of property, plant and equipment to RMB116,727,646 (2022: RMB151,402,718). The Group wrote off property, plant and equipment with a carrying amount of RMB19,309,391 (2022: 7,537,864) during the year ended 31 December 2023. No property, plant and equipment was disposed by the Group during the year ended 31 December 2023 (2022: Nil). As at 31 December 2023, the Group is still in the process of applying for the building ownership certificate of buildings and the aggregated carrying amounts of these buildings amounted to RMB40,831,317 (2022: RMB42,585,119).

14. TRADE RECEIVABLES

| | 2023 | 2022 |
|--------------------------------|---------------------------|--------------------|
| | RMB | RMB |
| Trade receivables | 567,416,816 | 575,170,544 |
| Less: allowance for impairment | (23,498,770) | (8,135,000) |
| | <u>543,918,046</u> | <u>567,035,544</u> |

As at 31 December 2023 and 2022, the fair values of the trade receivables of the Group approximated their carrying amounts.

Ageing analysis of trade receivables (net of allowance) based on the invoice date is as follows:

| | 2023 | 2022 |
|--------------------|---------------------------|--------------------|
| | RMB | RMB |
| Up to 6 months | 519,639,415 | 529,420,167 |
| 6 months to 1 year | 3,253,126 | 14,346,868 |
| 1 to 2 years | 2,833,423 | 22,230,873 |
| Over 2 years | 18,192,082 | 1,037,636 |
| | <u>543,918,046</u> | <u>567,035,544</u> |

The Group's trade receivables are generally collectible within 180 days (2022: 180 days) from the invoice date. No interest is charged on the trade receivables.

As at 31 December 2023 and 2022, the carrying amount of the Group's trade receivables are denominated in RMB.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

15. LOAN RECEIVABLES

| | 2023 | 2022 |
|---|-------------|---------------|
| | RMB | RMB |
| Unsecured and non-guaranteed, fixed-rate loan receivables | – | 118,000,000 |
| Less: written off | – | (118,000,000) |
| | <hr/> | <hr/> |
| | – | – |
| | <hr/> | <hr/> |
| Allowance for impairment | – | (118,000,000) |
| Add: written off | – | 118,000,000 |
| | <hr/> | <hr/> |
| | – | – |
| | <hr/> | <hr/> |
| Loan receivables, net | <u>–</u> | <u>–</u> |

During the year ended 31 December 2020, the Group had entered into three loan agreements with the aggregate principal amount of RMB118,000,000. Details of these transactions are set out below:

- (a) On 30 November 2020, the Group entered into the Loan Agreement 1 with Company A. Pursuant to the Loan Agreement 1, the Group provided a loan with the principal amount of RMB50,000,000 to Company A, and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020 and was outstanding as at 31 December 2023 and 31 December 2022.
- (b) On 1 December 2020, the Group entered into the Loan Agreement 2 with Company B. Pursuant to the Loan Agreement 2, the Group provided a loan with the principal amount of RMB53,522,000 to Company B, and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020 and was outstanding as at 31 December 2023 and 31 December 2022.
- (c) On 1 December 2020, the Group entered into the Loan Agreement 3 with Company C. Pursuant to the Loan Agreement 3, the Group provided a loan with the principal amount of RMB14,478,000 to Company C, and the loan would mature and the aggregate principal amount outstanding and all accrued and unpaid interest shall be immediately due and payable on 30 December 2020 and was outstanding as at 31 December 2023 and 31 December 2022.

The Group recorded an impairment loss of RMB118,000,000 separately as a line item on the consolidated statement of comprehensive income which represents the aggregate amount of principal outstanding as at 31 December 2020. During the year ended 31 December 2022, after taking into account the possibility of recoverability, RMB118,000,000 of the loans were written off.

16. NOTE INVESTMENT

| | 2023 | 2022 |
|------------------------------------|-------------|--------------|
| | RMB | RMB |
| Secured fixed-rate note investment | – | 66,400,000 |
| Less: written off | – | (66,400,000) |
| | <hr/> | <hr/> |
| Allowance for impairment | – | (66,400,000) |
| Add: written off | – | 66,400,000 |
| | <hr/> | <hr/> |
| | – | – |
| | <hr/> | <hr/> |
| Note investment, net | <u>–</u> | <u>–</u> |

On 18 January 2021, the Group entered into the Investment Agreement with Company D to subscribe for a secure loan note issued by Company D with the gross proceeds of HK\$80,000,000 (equivalent to RMB66,400,000) (the “**Note**”). Pursuant to the Investment Agreement, Company D shall repay the principal amount outstanding together with all interest accrued thereon up to and including the date of repayment on 17 December 2021. Fixed return of the Note is 4.5% per annum. As securities for the Note, Company D grants a charge on its receivables in favour of the Group. The aggregate principal amount and all accrued and unpaid interest were outstanding as at 31 December 2022 and 31 December 2023.

The Group recorded an impairment loss of RMB66,400,000 separately as a line item on the consolidated statement of comprehensive income which represents the amount of principal outstanding as at 31 December 2021. During the year ended 31 December 2022, after taking into account the possibility of recoverability, RMB66,400,000 of the Note was written off.

17. TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Trade payables | 227,881,226 | 381,680,822 |
| Payables for construction and equipment | 43,323,575 | 49,457,365 |
| Dividend payable | 50,671,500 | 100,671,500 |
| Payables for operating service fee | 25,288,109 | 21,168,000 |
| Taxes payable | 3,455,654 | 829,098 |
| Salaries and bonus payable | 4,103,594 | 6,649,128 |
| Payables for professional service fee | 5,904,579 | 13,744,238 |
| Deposits | 1,798,802 | 1,887,472 |
| Interests payable | 1,290,173 | 1,418,960 |
| Others | 7,328,998 | 6,809,431 |
| | <u>371,046,210</u> | <u>584,316,014</u> |

Ageing analysis of the trade payables based on invoice date are as follows:

| | 2023 | 2022 |
|------------------|--------------------|--------------------|
| | <i>RMB</i> | <i>RMB</i> |
| Less than 1 year | 198,543,206 | 320,585,126 |
| 1 to 2 years | 19,974,792 | 55,841,805 |
| 2 to 3 years | 6,271,121 | 3,662,931 |
| Over 3 years | 3,092,107 | 1,590,960 |
| | <u>227,881,226</u> | <u>381,680,822</u> |

As at 31 December 2023 and 2022, the carrying amount of the Group's trade payables were denominated in RMB. During the year ended 31 December 2023, certain trade payables with amount of RMB125,916,462 were net off with certain trade receivables in accordance with the offset agreements.

18. INTEREST IN SUBSIDIARIES

Details of the subsidiaries as at 31 December 2023 and 2022 are shown as follows:

| Name of subsidiary | Place of incorporation | Paid up capital/ registered capital | Proportion of equity interest attributable to the Company | | Principal activities |
|---|--|--|---|------|--|
| | | | As of December 31, 2023 | 2022 | |
| Directly held: | | | | | |
| Tangshan Tangsteel Gases Co., Ltd.* (唐山唐鋼氣體有限公司) (Note a) | PRC, limited liability company [#] | RMB777,965,404 | 100% | 100% | Production and supply of industrial gases |
| Indirectly held: | | | | | |
| Luanxian Tangsteel Gases Co., Ltd.* (灤縣唐鋼氣體有限公司) (Note a) | PRC, limited liability company | RMB12,000,000 | 100% | 100% | Production and supply of LNG |
| Tangshan Tangsteel Dongxin Village Gases Refuelling Station Co., Ltd.* (唐山唐鋼東新村加氣站有限公司) (Note a) | PRC, limited liability company | RMB3,000,000 | 100% | 100% | An automobile LNG filling station |
| Zhongqi Investment (Tangshan) Gases Co., Ltd.* (中氣投(唐山)氣體有限公司) (Notes a and b) | PRC, limited liability company | RMB72,000,000 | N/A | 100% | Production and supply of industrial gases |

Note a: All companies have adopted 31 December as their financial year end date.

Note b: It was deregistered on 19 June 2023.

Registered as wholly foreign owned enterprises under PRC law.

* The English is for identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the production and supply of industrial gases in the PRC.

In 2023, according to the preliminary accounting data released by National Bureau of Statistics of China on 18 January 2024, China's gross domestic product (“GDP”) in 2023 was approximately RMB126,058.2 billion, representing an increase of 5.2% over the last year at constant prices.

The Group's key products, industrial gases, are mainly used in the production of iron and steel. The Group's revenue is derived mainly from iron and steel production companies.

According to the data released by the China Iron and Steel Association on 17 January 2024, China's crude steel output was approximately 1,019 million tons in 2023, the same as last year, and the pig iron output was approximately 871 million tons, representing a year-on-year increase of approximately 0.70%; the production of steel was approximately 1,363 million tons, representing a year-on-year increase of approximately 5.20%.

Benefiting from the gradual release of production capacity in the coastal production bases of the Group's main customer, HBIS Group Co., Ltd. (河鋼集團有限公司), the Group's pipeline industrial gas business increased as compared to the corresponding period last year. However, due to keen competition in the liquefied industrial gas market, the price of the product lean krypton xenon liquid oxygen in the market has dropped severely as compared to that of the previous year. Consequently, the Group's revenue for the year ended 31 December 2023 only increased to approximately RMB1,491.15 million, representing a year-on-year increase of approximately 0.64% from approximately RMB1,481.64 million for the year ended 31 December 2022.

Supply of Pipeline Industrial Gas

The Group's pipeline industrial gas is produced and transmitted to its customers via pipelines. The Group's production facilities are all located on, or in close proximity to, the production facilities of its pipeline industrial gas customers for the convenience of those customers being provided with industrial gas products. In November 2023, with the nitrogen production and hydrogen production unit of Tangshan Iron and Steel Group High-strength Car Plate Co., Ltd. (唐山鋼鐵集團高強汽車板有限公司) entrusted to Tangshan Tangsteel Gases Co., Ltd. (唐山唐鋼氣體有限公司) (“TTG”) to put into operation, TTG headquarters plant stopped production. During the year ended 31 December 2023, the Group had two pipeline industrial gas production plants in operation, namely the TTG Laoting Branch (唐鋼氣體樂亭分公司) plant and TTG New District Plant (formerly known as Zhongqi Investment (Tangshan) plant).

Supply of Liquefied Industrial Gas

To maximise the utilisation of its designed production capacity and increase its revenue, the Group also engages in the supply of liquefied industrial gas. The Group's liquefied industrial gas products include oxygen, nitrogen, argon and carbon dioxide. Oxygen and nitrogen in gas form and liquefied oxygen, nitrogen and argon are generated in its air separations unit(s) (“ASUs”), and liquefied oxygen, nitrogen and argon can be sold directly as liquid products. Liquefied oxygen and nitrogen are obtained after oxygen and nitrogen in gas form are generated at the ASUs and further processed through the liquefier. After meeting all the demand for oxygen and nitrogen in gas form

in the pipeline, the Group utilises the spare design capacity to produce and sell liquefied nitrogen, thereby maximising the use of the ASUs. Carbon dioxide is produced in a separate production line independent from the production of oxygen, nitrogen and argon.

Provision of Technical Support and Management Services

The Group provides technical support and management services. Such services include managing the organisation and planning, equipment inspections, equipment maintenance, daily maintenance, safety, labour and personnel etc. in respect of the production and supply of the industrial gas products.

Supply of LNG and the Provision of Gas Transmission Service

The Group's LNG-related business includes the supply of LNG and the provision of gas transmission service. The supply of LNG refers to the production and sales of LNG products by the Group. The provision of gas transmission service refers to the Group's coke oven gas pressurisation and transmission service provided via pipelines which are independent from the pipelines used for its supply of pipeline industrial gas. The Group's Luaxian plant produces LNG and also provides gas transmission service, and has relevant equipment and machinery used for the Group's LNG-supply business.

Revenue and gross profit from each segment for the years ended 31 December 2022 (the "Reporting Period") and 31 December 2023 are set out as follows:

| | For the year ended 31 December 2023 | | | For the year ended 31 December 2022 | | |
|---|-------------------------------------|----------------------------|------------------------|-------------------------------------|----------------------------|------------------------|
| | Revenue <i>RMB</i> | Gross profit <i>RMB</i> | Gross profit margin | Revenue <i>RMB</i> | Gross profit <i>RMB</i> | Gross profit margin |
| Supply of industrial gas (pipeline and liquefied) | 1,203,621,320 | 320,611,598 | 26.64% | 1,194,342,987 | 334,105,185 | 27.97% |
| LNG and gas transmission service | 305,356,594 | 10,050,185 | 3.29% | 305,207,749 | 7,745,428 | 2.54% |
| Technical support and management service | 2,917,278 | 1,441,159 | 49.40% | - | - | - |
| Elimination | (20,741,204) | - | - | (17,906,495) | - | - |
| The Group | <u>1,491,153,988</u> | <u>332,102,942</u> | <u>22.27%</u> | <u>1,481,644,241</u> | <u>341,850,613</u> | <u>23.07%</u> |

Operation of the Group

In 2023, the total sales of the Group's pipeline industrial gas reached approximately 3,855 million Nm³ (2022: approximately 3,622 million Nm³), with revenue of approximately RMB998.62 million (2022: approximately RMB927.74 million); the sales of liquefied industrial gas totaled approximately 210,041 tons (2022: approximately 190,553 tons), with revenue of approximately RMB165.70 million (2022: approximately RMB228.03 million); the revenue generated from LNG and gas transmission service was approximately RMB305.36 million (2022: approximately RMB305.21 million); the revenue generated from technical support and management service was approximately RMB2.92 million (2022: Nil); and other revenue was approximately RMB18.55 million (2022: approximately RMB20.66 million).

OUTLOOK

Opportunities brought by industry development prospect

China's industrial gas industry will enjoy soaring growth driven by national policies, foreign investment, high and new technology development and other factors. With the rapid development of the industry and the on-and-off surge in demand for emerging gas represented by electronic special gases, it is expected that the industrial gas market in China will continue to grow in the future.

As a leading company in Northern China with respect to industrial gas, the Group has a huge advantage in the bulk industrial gas market. Meanwhile, the Group also keeps abreast of the industry development trends, actively develops special gas products, expands the market share of electronic special gas products, so as to enhance its prospect for future development.

Opportunities brought by gas supply model development

The industrial gas supply model includes self-established equipment gas supply and outsourced gas supply. As compared to the self-established equipment gas supply model, the outsourced gas supply model has lower operating cost and one-off financial cost with high stability and efficient resources utilisation. Therefore, the market share of outsourced gas supply had grown steadily. It is expected that the outsourced gas supply model will gradually replace the self-established equipment gas supply model in the future.

The Group will leverage its successful experience and technical advantages as an outsourced gas supplier to keep pace with the changing market trends of the gas supply model and explore external development opportunities.

While setting its GDP growth target at around 5% for 2023, China's GDP had recorded an increase of approximately 5.2% in 2023. The year 2023 was a challenging year for the steel industry. The steel industry was affected by the high price of raw fuel and the decline in steel prices, and the profitability of the steel industry declined significantly.

Group's business development

The Group's business development is supported by customers with strong background. Based on the increasing demand for industrial gas products resulting from the expansion of customers' production capacity, the future business development of the Group is expected to grow steadily.

The increase in demand for industrial gas products will mainly be underpinned by the following aspects:

1. The construction of the fourth blast furnace in the coastal base of HBIS Company Limited Tangshan Branch (河鋼股份有限公司唐山分公司) (“**HBIS Company Tangshan Branch**”)

The fourth blast furnace is currently under construction, and the 60,000Nm³/hr oxygen generating plant constructed by TTG is expected to fulfill conditions for commencing operation by the end of 2024.

2. The construction of cold-rolled production line in the coastal base of HBIS Company Tangshan Branch

Hydrogen production units are being constructed by TTG to support the two cold-rolled production lines.

FINANCIAL REVIEW

The revenue of the Group for the Reporting Period amounted to approximately RMB1,491.15 million (2022: approximately RMB1,481.64 million), representing an increase of approximately 0.64% as compared to 2022. The gross profit for the Reporting Period amounted to approximately RMB332.10 million (2022: approximately RMB341.85 million), representing a decrease of approximately 2.85% as compared to the year ended 31 December 2022, which was mainly due to the decrease in selling price of lean krypton xenon liquid oxygen in 2023. For the Reporting Period, the Company recorded a profit attributable to owners of approximately RMB128.08 million (2022: approximately RMB112.74 million). The earnings per Share attributable to equity shareholders of the Company (the “**Shareholders**”) for the year ended 31 December 2023 amounted to approximately RMB0.11 (2022: earnings per Share of RMB0.09).

Revenue

The revenue of the Group for the Reporting Period increased by approximately 0.64% from approximately RMB1,481.64 million for the year ended 31 December 2022 to approximately RMB1,491.15 million for the year ended 31 December 2023. For the Reporting Period, the revenue derived from supply of pipeline industrial gas amounted to approximately RMB998.62 million, representing an increase of approximately 7.64% as compared to approximately RMB927.74 million for the year ended 31 December 2022, mainly due to the increase in gas usage in the pipeline industry. The revenue derived from supply of liquefied industrial gas for the Reporting Period amounted to approximately RMB165.70 million, representing a decrease of approximately 27.33% as compared to approximately RMB228.03 million for the same period in 2022, mainly due to the decrease in price of lean krypton and xenon liquid oxygen products. The revenue derived from supply of LNG and gas transmission service for the Reporting Period amounted to approximately RMB305.36 million, similar to that of approximately RMB305.21 million for the same period in 2022. The revenue generated from technical support and management service for the Reporting Period was approximately RMB2.92 million (2022: Nil). Other sales revenue for the Reporting Period was approximately RMB18.55 million, representing a decrease of approximately 10.21% as compared to approximately RMB20.66 million for same period in 2022. The decrease in other sales revenue was primarily due to a decrease in sales of the natural gas for vehicle business.

Other income and other net losses/gains

The other income of the Group for the Reporting Period increased by approximately 454.64% to approximately RMB5.38 million (2022: approximately RMB0.97 million). The increase in other income was mainly due to the increased government subsidies received by the Group for the Reporting Period as compared to the same period in the previous year.

The other net losses of the Group for the Reporting Period were approximately RMB17.75 million (2022: approximately RMB11.87 million of other net gains), which was mainly due to the write-off of property, plant and equipment during the Reporting Period.

Selling and marketing expenses

The selling and marketing expenses of the Group for the Reporting Period decreased by approximately 5.38% to approximately RMB1.89 million (2022: approximately RMB2.00 million). The selling and marketing expenses represented a slight decrease as compared to that in 2022.

Administrative expenses

The administrative expenses of the Group for the Reporting Period decreased by approximately 33.81% to approximately RMB54.39 million (2022: approximately RMB82.18 million). The decrease in administrative expenses was mainly due to the absence of legal and professional fees incurred in previous year relating to the resumption of trading of the shares of the Company.

Expected credit losses for trade receivables

During the Reporting Period, the expected credit losses for trade receivables were approximately RMB15.36 million (2022: credit losses of approximately RMB8.14 million), representing an increase of approximately 88.86%, which was mainly due to an increase in the risk of default and forward-looking factors threatening the macroeconomy.

Finance costs, net

The net finance costs of the Group for the Reporting Period decreased by approximately 16.54% to approximately RMB21.72 million (2022: approximately RMB26.02 million), mainly due to the decrease in interest expenses for financing as the weighted interest rate decreased.

Income tax expense

The income tax expense of the Group for the Reporting Period decreased by approximately 48.86% to approximately RMB24.69 million (2022: approximately RMB48.28 million), due to the utilisation of unrecognised accumulated tax losses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately RMB202.62 million as at 31 December 2023 (31 December 2022: approximately RMB360.74 million). As at 31 December 2023, bank and other borrowings of the Group amounted to approximately RMB537.79 million (31 December 2022: approximately RMB585.79 million), which included bank borrowings of approximately RMB533.00 million (31 December 2022: approximately RMB572.53 million) and lease liabilities of approximately RMB4.79 million (31 December 2022: approximately RMB13.26 million). The bank borrowings bore interest rate at a range of Loan Prime Rate +4.785% to +5.0% and The People's Bank of China benchmark interest rate of 4.35%. The Group's gearing ratio (calculated as total debt divided by total equity) was approximately 36% as at 31 December 2023 (31 December 2022: 42%). Net debt, calculated as total borrowing as well as lease liabilities less cash and cash equivalents, was approximately RMB335.17 million as at 31 December 2023 (31 December 2022: approximately RMB225.05 million). The outstanding credit facilities of approximately RMB190.00 million as at 31 December 2023 can be utilised as additional liquidity of the Group.

The Group recorded total current assets of approximately RMB852.86 million as at 31 December 2023, representing a decrease of approximately 13.92% as compared to approximately RMB990.79 million as at 31 December 2022; and total current liabilities of approximately RMB668.24 million as at 31 December 2023, representing a decrease of approximately 22.34% as compared to approximately RMB860.49 million as at 31 December 2022.

The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was approximately 1.28 as at 31 December 2023 (31 December 2022: approximately 1.15).

Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity and bank borrowings.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (for the year ended 31 December 2022: Nil). Cognisant of the Group's dividend policy, the Board has considered the fact that:

- As at 31 December 2023, the Group had total capital commitments of approximately RMB172.63 million, mainly related to contracted commitments in respect of purchase of property, plant and equipment. With the imminent construction of the fourth blast furnace of HBIS Company Tangshan Branch, the Group plans on committing more capital investments so as to meet the additional industrial gas demand from HBIS.
- In line with the disclosures in the Prospectus, approximately RMB50.60 million has been earmarked for the procurement and installation of a new air separation unit by end of 2024.

Having weighed the above, the Board has therefore adopted a prudent approach in arriving at the aforesaid decision.

RISK MANAGEMENT

The Group's principal financial instruments include financial assets at fair value through other comprehensive income, trade and other receivables and bank balances and cash, trade and other payables, borrowings and lease liabilities. The main purpose of these financial instruments is to support the Group's industrial gas business. The Group also has various financial assets and financial liabilities arising from its business operations. The principal risks arising from its financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group intends to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on its business and financial condition. The Group will not obtain collateral from counterparty. At the end of the Reporting Period, the provision for impairment loss of approximately RMB23.50 million (31 December 2022: approximately RMB8.14 million) was made for trade receivables as a portion of the trade receivables was considered to be subject to certain credit risk due to their ageing exceeding six months. The management of the Group had also evaluated all available forward-looking information, including but not limited to the expected industry growth rate and settlement, and concluded that there is no significant increase in credit risk. As at 31 December 2023, approximately 97% of the trade receivables of the Group was payable by HBIS and its subsidiaries and associates (collectively, the "HBIS Group") (31 December 2022: approximately 97%). The credit period granted to the Group's customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed by taking into account their financial position, past experience, business relationship with the Group and other factors. In view of the sound history of receivables, the management of the Group believes that the fixed credit risk of the Group's unsettled trade receivables balance is insignificant, however, an impairment provision has been made for trade receivables in accordance with the principle of prudence. The Group aims to maintain its current assets at an appropriate level and is committed to a capital limit. This ensures that the Group can satisfy its short term and long term liquidity needs. The Group had been following its liquidity policy during the Reporting Period, which has been effective in managing liquidity risk. The cash flow generated from the Group's operation is expected to be able to satisfy the Group's needs for cash flow in the future.

Foreign currency risk

Other payables as well as cash and cash equivalents of the Group, which are dominated in other currencies different to the function currency of its related business, were mainly generated from the business outside China. The currencies that caused such exposure are primarily the United States dollars and Hong Kong dollars. The Group did not use derivative financial instruments to hedge against its foreign exchange risk. The Group periodically reviews its foreign exchange risk and considers that there is no significant exposure to its foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the financial assets and liabilities. The Group manages its liquidity risk through regular monitoring with the following objectives: maintaining the stability in developing the Group's principal businesses, timely monitoring cash and bank position, projecting cash flows and evaluating the level of current assets to ensure liquidity of the Group.

Pledge of assets

As at 31 December 2023, the Group did not have any charge over its assets. As at 31 December 2022, certain property, plant and equipment of the Group amounting to approximately RMB16.60 million were pledged to banks for loan facilities granted to the Group.

TREASURY POLICIES

The bank balance and cash held by the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign currency and interest rate exposure from time to time and considers hedging significant foreign currency and interest rate exposure when necessary.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies, or investment projects for sale during the Reporting Period.

CAPITAL COMMITMENTS

As at 31 December 2023, the total capital commitments of the Group amounted to approximately RMB172.63 million (31 December 2022: approximately RMB126.13 million). They were mainly contracted commitments in respect of purchase of property, plant and equipment.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2023 (31 December 2022: Nil).

STAFF AND REMUNERATION POLICIES

The Group believes that talent is one of the key factors which has led to its success. The Group has experienced management team members and employees to assist it in its business expansion. The Group plans to continue to attract and retain highly skilled personnel and further strengthen its corporate culture by continuing to invest in supporting employees in their career development. The Group also plans to provide its employees with trainings and professional development programmes and further align employees' interests with its own interest.

The Group places high emphasis on the training and development of its staff. The Group invests in continuing education and training programs for its management and other staff members to update their skills and knowledge periodically. The Group provides trainings for its staff members with respect to its operation, technical knowledge and work safety standards and environmental protection.

To attract and retain the suitable personnel who are beneficial to the development of the Group, the Group has adopted a share option scheme conditionally by the written resolutions of its then shareholders on 17 June 2020 (the “**Share Option Scheme**”) and such scheme is effective for a period of 10 years commencing from 29 December 2020. Pursuant to the Share Option Scheme, share options may be granted to eligible employees of the Group as a long-term incentive. No share option were granted, cancelled or lapsed up to the date of this announcement.

The Group hired 323 employees in total as at 31 December 2023 (31 December 2022: 341 employees) with total staff costs of approximately RMB55.37 million (for the year ended 31 December 2022: approximately RMB58.38 million). The Group offers competitive remuneration packages to its employees.

STATEMENTS OF DISCIPLINARY ACTION

On 27 February 2024, The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) issued statements of disciplinary action to the Company and a former director of the Company respectively.

1) Statement of disciplinary action against the Company

Pursuant to the statement of disciplinary action issued by the Stock Exchange against the Company on 27 February 2024, the Stock Exchange criticised the Company for breaching the requirements of the Listing Rules.

The Company agreed to settle the disciplinary action. It has accepted its breaches of the Listing Rules, and accepted sanctions from the Listing Committee.

2) Statement of disciplinary action against Mr. Chen, former chairman and executive director of the Company

Pursuant to the statement of disciplinary action issued by the Stock Exchange on 27 February 2024 against a former chairman and executive director of the Company, namely Mr. Chen, the Stock Exchange imposed a prejudice to investors’ interests statement against him (the “**Prejudice to Investors’ Interests Statement**”). The Prejudice to Investors’ Interests Statement is a statement that, in the Stock Exchange’s opinion, had Mr. Chen remained on the board of directors of the Company, his retention of office would have been prejudicial to the interests of investors.

The Prejudice to Investors’ Interests Statement is made in addition to a public censure against him.

Mr. Chen agreed to settle the disciplinary action. He has accepted the breaches of the Listing Rules and has further accepted the sanctions imposed upon him by the Listing Committee.

For details, please refer to the statements of disciplinary action issued by the Stock Exchange on 27 February 2024 to (i) China Gas Industry Investment Holdings Co. Ltd. (Stock Code: 1940); and (ii) a former director of China Gas Industry Investment Holdings Co. Ltd. (Stock Code: 1940), respectively.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering (as defined in the Prospectus) amounted to HK\$315.9 million (equivalent to RMB298.1 million) (the “**IPO Proceeds**”) after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering.

As at the date of this announcement, the Company had utilised RMB274,250,000 of the IPO Proceeds, representing approximately 92.0% of the IPO Proceeds. The amount of the unutilised IPO Proceeds is RMB50,553,000, representing approximately 17.0% of the IPO Proceeds. During the Reporting Period, the Company has not utilised the IPO Proceeds. As at the date of this announcement, there has not been any change to the intended use or allocation of the IPO Proceeds as disclosed in the Prospectus.

The Group will gradually utilise the IPO Proceeds in accordance with the intended purposes and the updated expected timeline as disclosed in the Prospectus and the Company’s announcement dated 27 March 2023. The breakdown of the intended use and amount utilised as of 31 December 2023 were as follows:

| | Planned use of IPO Proceeds as stated in the Prospectus <i>RMB’000</i> | Approximate amount of utilised IPO Proceeds as of 31 December 2023 <i>RMB’000</i> | Approximate amount of unutilised IPO Proceeds as of 31 December 2023 <i>RMB’000</i> | Expected timeline of application of the unutilised IPO Proceeds |
|---|--|---|---|---|
| Procurement and relocation of ASUs relating to the development at the TTG New District Plant | | | | |
| Phase I | | | | |
| First ASU: | | | | |
| payment for the remaining procurement and installation cost | 64,990 | 64,990 | – | – |
| Second ASU: | | | | |
| payment for the remaining procurement and installation cost and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant | 101,790 | 101,790 | – | – |
| Third ASU: | | | | |
| relocation and installation of a used ASU from the TTG headquarters plant | 80,170 | 80,170 | – | – |
| Phase II | | | | |
| Fourth ASU: | | | | |
| procurement and installation of a new ASU | 50,553 | – | 50,553 | 30 June 2024 |
| Working capital and other general corporate purposes | 27,300 | 27,300 | – | – |
| Total | 324,803 | 274,250 | 50,553 | – |

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as the basis of the Company’s corporate governance practices.

The Company has complied with all applicable code provisions set out in the CG Code throughout the Reporting Period. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain high standard of corporate governance practices of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company’s listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained during the year under review the amount of public float as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”).

Having made specific enquiry with the Directors, all Directors have confirmed that the required standards of the Model Code had been complied with throughout the Reporting Period.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Audit Committee has reviewed together with the Board and BDO Limited, the Group’s external auditor, the audited consolidated financial statements of the Group for the Reporting Period. The Audit Committee is satisfied that the audited consolidated financial statements of the Group for the Reporting Period were prepared in accordance with the applicable accounting standards and fairly present the Group’s financial position and results for the Reporting Period.

ADDITIONAL INFORMATION RELATING TO THE QUALIFIED OPINION

As set out on pages 36 to 38 under the heading “Extract from Independent Auditor’s Report” of this announcement, a qualified opinion on the Group’s consolidated financial statements for the year ended 31 December 2023 (the “**Qualified Opinion**”) had been issued by the Group’s external auditor (the “**Auditor**”). The qualified opinion was in connection with:

- (i) three overdue receivables of the Company as at 31 December 2020, 2021 and 2022 (the “**Loan Receivables**”) resulting from the three loan agreements entered into between the Company as lender and Company A, Company B and Company C separately as borrowers, with principal amounts of RMB50,000,000, RMB53,522,000 and RMB14,478,000, respectively, which were repayable on 30 December 2020 (the “**Loans**” or “**Loan Transactions**”); and
- (ii) the interest bearing note investment in the principal amount of HK\$80,000,000 (approximately RMB66,400,000) (the “**Note Investment**”) pursuant to a loan note agreement entered into between Company and Company D, which was repayable on 17 December 2021, the repayment of which remained outstanding as at 31 December 2022 (together with the Loan Transactions, the “**Transactions**”).

For details of the Loan Receivables and the Note Investment, please refer to the announcement of the Company dated 23 March 2022 in relation to key findings of independent investigation.

The Auditor modified their opinion for the Group’s consolidated financial statements for the year ended 31 December 2022 on:

- (i) whether the write-offs of the Loan Receivables and the Note Investment recognised during the current year were free from material misstatement; and
- (ii) the Auditor’s limitations on the scope of work on the comparability of the current year’s figures and the 2021 figures included in these consolidated financial statements.

The Auditor’s opinion on the Group’s consolidated financial statements for the year ended 31 December 2023 is modified because of the possible effects of the above matter on the comparability of the current year’s figures and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of comprehensive income (“**Audit Qualification**”).

The Company acknowledged the above Audit Qualification issued by the Auditor in this regard.

Management’s position and view on the Qualified Opinion

During the process of preparing the consolidated financial statements for the year ended 31 December 2023, the Board and the Audit Committee had sought to obtain the Auditor’s preliminary view on whether the Audit Qualification could be removed in the next financial year (i.e. for the year ending 31 December 2024).

Since the date of approving the Group's consolidated financial statements for the year ended 31 December 2022, the Board and the Audit Committee are given to understand that there has been no change in the Auditor's view. As of the date of this announcement, the Auditor's view on the removal of the Audit Qualification is that the Audit Qualification is not a permanent qualification. Barring any unforeseen circumstances, the Audit Qualification is expected to be removed from the consolidated financial statements of the Company for the year ending 31 December 2024.

Audit Committee's view on the Qualified Opinion

Based on the discussion with the Auditor, the Audit Committee agreed with the view of the management as set out above. The Audit Committee has maintained on-going thorough discussions with the Auditor regarding the Audit Qualification throughout the entire audit of the 2023 financial statements and was given to understand that the Auditor's view as stated above remained unchanged based on the findings from their 2023 audit. There is also no disagreement between the Audit Committee's and the Board's position.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

We have audited the consolidated financial statements of China Gas Industry Investment Holdings Co. Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effect of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

On 30 November 2020 and 1 December 2020, the Company entered into three loan agreements with Company A, Company B and Company C (collectively "**the Borrowers**") with principal amounts of RMB50,000,000, RMB53,522,000 and RMB14,478,000 respectively (the "**Loan Agreements**"). On 7 December 2020 and 10 December 2020, the Company transferred the funds as stipulated in the Loan Agreements to the Borrowers. Pursuant to the Loan Agreements, the loans were interest bearing at 2% per annum and the principal amounts would mature on 30 December 2020. The principal amounts and the interests thereon would become repayable on 30 December 2020 (hereinafter referred to as the "**Loan Transactions**"). The Company accounted for the transfers of funds to the Borrowers as loan receivables in the consolidated financial statements for the years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The loan receivables (“**Loan Receivables**”) were measured at amortised cost. As at 31 December 2020, 2021 and 2022, repayment of the principal balances and interests thereon under the Loan Agreements were overdue. Repayments of these balances remained outstanding up to the date of this announcement. The board of directors of the Company (the “**Board**”) determined that full loss allowance of the outstanding principal balances of RMB118,000,000 in aggregate should be provided. Accordingly, a loss allowance of RMB118,000,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020. The resultant amortised costs of the Loan Receivables became RMB Nil as at 31 December 2020 and these amounts were brought forward to 31 December 2021. During the year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Loan Receivables and fully wrote off the Loan Receivables. Details of the write-off are disclosed in Note 23 in the consolidated financial statements for the year ended 31 December 2023.

On 18 January 2021, the Company entered into a loan note agreement with Company D (the “**Loan Note Agreement**”). Pursuant to the Loan Note Agreement, the Company agreed to provide Company D with a loan of principal amount of HK\$80,000,000 (approximately RMB66,400,000). The loan was interest bearing at 4.5% per annum. Both the principal amount and the interests thereon would become repayable on 17 December 2021. On 28 January 2021, the Company transferred the principal amount as stipulated in the Loan Note Agreement (hereinafter referred to as the “**Note Investment**”) to Company D. The Company accounted for the transfers of funds to the Company D as note investment in the consolidated financial statements for the years ended 31 December 2021 and 31 December 2022.

The Note Investment was measured at amortised cost. As at 31 December 2021 and 31 December 2022, repayment of the principal balance and interests thereon under the Loan Note Agreement was overdue. Repayments of this balance remained outstanding up to the date of this report. During the year ended 31 December 2021, the Board determined that full loss allowance of the outstanding principal balance of RMB66,400,000 in aggregate should be provided. Accordingly, a loss allowance of RMB66,400,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021. The resultant amortised cost of the Note Investment became RMB Nil as at 31 December 2021. During the year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Note Investment and fully wrote off the Note Investment. Details of the write-off are disclosed in Note 24 in the consolidated financial statements for the year ended 31 December 2023.

Since our audit of the consolidated financial statements for the year ended 31 December 2020, we have obtained knowledge relating to the Loan Transactions and the Note Investment (“**our Knowledge**”) including:

- (i) the Group engaged in the production and supply of industrial gases. The Loan Transactions and the Note Investment are transactions outside the normal course of business of the Group;
- (ii) the Loan Transactions and the Note Investment were approved by the ex-Chairman of the Board (the “**ex-Chairman**”) who was also an executive director of the Company (being removed as the Chairman of the Board and the executive director on 3 May 2022 and 5 May 2022 respectively). According to the Company’s internal control policies and procedures, due to the amounts of the Loan Transactions and the Note Investment, the Loan Transactions and the Note Investment should have been approved by the Board;

- (iii) the Company had not performed background check and due diligence on the Borrowers and Company D before entering into the Loan Transactions and the Note Investment;
- (iv) the Company had set aside funds in a bank account for distributions to its shareholders to settle the dividends payable to them. To change the use of these designed funds would need the approval by the Board. Without prior approval by the Board, the ex-Chairman instructed the transfer of these designated funds to the Borrowers and Company D to fulfil the Company's commitment in the Loan Agreements and the Loan Note Agreement; and
- (v) as at the date of this report, there were no repayments from the Borrowers and the balance due from Company D was outstanding.

Scope limitation on our work to ascertain the nature of the Loan Transactions and the Note Investment

Given our Knowledge obtained in the audit relating to the Loan Transactions and the Note Investment, we have concerns about the commercial substance and business rationale of these transactions, and whether it is appropriate to recognise the Loan Transactions as the Group's Loan Receivables and the Note Investment as the Group's Note Investment in the consolidated financial statements. We have communicated our concerns to the Board and requested explanations from the Board on how our concerns have been considered in their determination that the Loan Transactions were recognised as Loan Receivables of the Group and the Note Investment was recognised as the Group's Note Investment in the consolidated financial statements. However, we have not received explanations from the Board that would satisfy ourselves as to the commercial substance and business rationale of the Loan Transactions and the Note Investment. There were no alternative audit procedures that we could perform to satisfy ourselves on the above concerns.

We modified our audit opinion on the Group's consolidated financial statements for the year ended 31 December 2022 because we were unable to conclude whether the write-offs on the Loan Receivables and the Note Investment recognised during the year ended 31 December 2022 which arose from the limitations on the scope of our work to ascertain the nature of the Loan Transactions and the Note Investment are free from material misstatement. Any adjustment that might be found necessary would have a consequential impact on the financial performance for the year ended 31 December 2022, the financial position as at 1 January 2022 and the disclosures thereof in the consolidated financial statements for the year ended 31 December 2022. Our opinion on the Group's consolidated financial statements for the year ended 31 December 2023 is modified because of the possible effects of the above matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2022 in the consolidated statement of comprehensive income.

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

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 21 June 2024. For details of the AGM, please refer to the Notice of AGM which is expected to be published in late April 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed on the dates as set out below:

Latest time to lodge transfer documents

for registration with the Company’s registrar. At 4:30 p.m. on Monday, 17 June 2024

Closure of register of members of the Company Tuesday, 18 June 2024 to
Friday, 21 June 2024
(both days inclusive)

During the above closure period of the register of members of the Company, no transfer of Shares will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than the aforementioned latest time.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.cgiihdgs.com). The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders and published on the aforesaid websites in late April 2024.

By order of the Board

China Gas Industry Investment Holdings Co. Ltd.

Yao Li

Chairman and Executive Director

Tangshan, 25 March 2024

As of the date of this announcement, the Board comprises: (1) Mr. YAO Li (Chairman) and Ms. GAO Guimin as the executive Directors; (2) Mr. LAI Yui, Ms. NG Shuk Ming and Mr. ZHANG Wenli as the non-executive Directors; and (3) Mr. SIU Chi Hung, Mr. XIAO Huan Wei and Ms. LI Chun Elsy as the independent non-executive Directors.