



中國基礎能源控股有限公司
China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8117)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*This announcement, for which the directors (the “Directors”) of **CHINA PRIMARY ENERGY HOLDINGS LIMITED** (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS

Total revenue was approximately HK\$184,683,000 for the year ended 31 December 2022 (2021: approximately HK\$141,544,000), representing an increase of approximately 30.5%.

Loss attributable to owners of the Company amounted to approximately HK\$9,855,000 (2021: loss of approximately HK\$7,941,000).

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

AUDITED RESULTS

The board of directors (the “Board”) of China Primary Energy Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	5	184,683	141,544
Other income and gains and losses	6	1,598	2,989
Changes in inventories of finished goods		(135,784)	(89,745)
Staff costs, including directors' remuneration	12	(20,855)	(23,572)
Depreciation		(17,307)	(17,809)
Amortisation of other intangible assets		(378)	(378)
Loss arising from changes in fair value of investment properties		(2,028)	(1,564)
Gain on disposal of a subsidiary		–	14,550
Gain on disposal of assets classified as held for sale		9,426	–
(Impairment loss)/reversal of impairment loss on trade receivables, net		(28)	1,046
Reversal of impairment loss/(impairment loss) on other receivables and prepayments, net		450	(412)
Other operating expenses	8	(21,728)	(26,429)
Finance costs	7	(6,360)	(5,014)
Loss before income tax	8	(8,311)	(4,794)
Income tax expense	9	(3,509)	(2,505)
Loss from continuing operations		(11,820)	(7,299)
Discontinued operation			
Loss from discontinued operation		–	(960)
Loss for the year		(11,820)	(8,259)
Attributable to:			
Owners of the Company			
From continuing operations		(9,855)	(6,981)
From discontinued operation		–	(960)
		(9,855)	(7,941)
Non-controlling interests		(1,965)	(318)
Loss for the year		(11,820)	(8,259)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		4,051	1,004
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(34,788)	7,608
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of a subsidiary		–	2,310
Other comprehensive income for the year		<u>(30,737)</u>	<u>10,922</u>
Total comprehensive income for the year		<u>(42,557)</u>	<u>2,663</u>
Total comprehensive income attributable to:			
Owners of the Company			
From continuing operations		(37,408)	3,372
From discontinued operation		–	(960)
		<u>(37,408)</u>	<u>2,412</u>
Non-controlling interests		<u>(5,149)</u>	<u>251</u>
		<u>(42,557)</u>	<u>2,663</u>
Loss per share from continuing and discontinued operations			
– Basic	11	<u>HK\$(0.01)</u>	<u>HK\$(0.008)</u>
– Diluted		<u>HK\$(0.01)</u>	<u>HK\$(0.008)</u>
Loss per share from continuing operations			
– Basic	11	<u>HK\$(0.01)</u>	<u>HK\$(0.007)</u>
– Diluted		<u>HK\$(0.01)</u>	<u>HK\$(0.007)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		315,692	240,721
Investment properties		208,492	228,406
Goodwill		15,725	17,063
Other intangible assets		517	935
Prepayment for property, plant and equipment		10,719	764
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")		13,376	6,052
		564,521	493,941
Total non-current assets			
Current assets			
Inventories	13	8,140	9,551
Trade receivables	14	18,732	16,914
Other receivables, deposits and prepayments	15	57,390	40,206
Investments held for trading		43	79
Pledged bank deposit		56,536	61,347
Cash and cash equivalents		33,159	111,700
		174,000	239,797
Assets classified as held for sale		–	19,212
		174,000	259,009
Total current assets			
Total assets		738,521	752,950
Current liabilities			
Trade payables	16	12,473	6,340
Other payables and accruals		52,342	42,614
Loans from a major shareholder		1,325	1,325
Lease liabilities		1,805	2,418
Borrowings		224,469	86,172
Tax payable		7,133	3,964
		299,547	142,833
Total current liabilities			
Net current (liabilities)/assets		(125,547)	116,176

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Loans from a major shareholder	34,631	28,273
Deferred tax liabilities	25,825	28,559
Lease liabilities	4,131	6,054
Borrowings	38,969	181,038
	<hr/>	<hr/>
Total non-current liabilities	103,556	243,924
	<hr/>	<hr/>
Total liabilities	403,103	386,757
	<hr/>	<hr/>
NET ASSETS	335,418	366,193
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Share capital	63,999	63,999
Reserves	221,979	259,387
	<hr/>	<hr/>
Equity attributable to owners of the Company	285,978	323,386
	<hr/>	<hr/>
Non-controlling interests	49,440	42,807
	<hr/>	<hr/>
TOTAL EQUITY	335,418	366,193
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity attributable to owners of the Company										
	Share capital	Share premium account	Statutory surplus reserve	Exchange translation reserve	Share option reserve	Property revaluation reserve	Financial assets at FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2020 and at 1 January 2021	63,999	727,375	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681
Profit for the year	-	-	-	-	-	-	-	(7,941)	(7,941)	(318)	(8,259)
Other comprehensive income:	-	-	-	-	-	-	-	(7,941)	(7,941)	(318)	(8,259)
Exchange differences on translation of foreign operations	-	-	-	7,039	-	-	-	-	7,039	569	7,608
Reclassification adjustment of foreign operation disposed of	-	-	-	2,310	-	-	-	-	2,310	-	2,310
Changes in fair value of equity instruments at FVTOCI	-	-	-	-	-	-	1,004	-	1,004	-	1,004
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,349</u>	<u>-</u>	<u>-</u>	<u>1,004</u>	<u>(7,941)</u>	<u>2,412</u>	<u>251</u>	<u>2,663</u>
Partial disposal of interest in a subsidiary without loss of control	-	-	-	-	-	-	-	(100)	(100)	690	590
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	25,259	25,259
Balance at 31 December 2021	<u>63,999</u>	<u>727,375</u>	<u>5,109</u>	<u>51,224</u>	<u>24,066</u>	<u>34,512</u>	<u>1,210</u>	<u>(584,109)</u>	<u>323,386</u>	<u>42,807</u>	<u>366,193</u>

Equity attributable to owners of the Company

	Share capital	Share premium account	Statutory surplus reserve	Exchange translation reserve	Share Option reserve	Property revaluation reserve	Financial assets at FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2021 and 1 January 2022	63,999	727,375	5,109	51,224	24,066	34,512	1,210	(584,109)	323,386	42,807	366,193
Loss for the year	-	-	-	-	-	-	-	(9,855)	(9,855)	(1,965)	(11,820)
Other comprehensive income:											
Exchange differences on translation of foreign operations	-	-	-	(31,604)	-	-	-	-	(31,604)	(3,184)	(34,788)
Changes in fair value of equity investments at FVTOCI	-	-	-	-	-	-	4,051	-	4,051	-	4,051
Total comprehensive income	-	-	-	(31,604)	-	-	4,051	(9,855)	(37,408)	(5,149)	(42,557)
Lapse of share options	-	-	-	-	(24,066)	-	-	24,066	-	-	-
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	11,782	11,782
Balance at 31 December 2022	<u>63,999</u>	<u>727,375</u>	<u>5,109</u>	<u>19,620</u>	<u>-</u>	<u>34,512</u>	<u>5,261</u>	<u>(569,898)</u>	<u>285,978</u>	<u>49,440</u>	<u>335,418</u>

Notes:

- (a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the “Group Reorganisation”) in preparation for the public listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) over the nominal value of the shares of the Company issued in exchange therefor.

- (b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.
- (c) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (d) Share option reserve comprises cumulative expenses recognised on the granting of share options to the employees and consultants over the vesting period.
- (e) Property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is Room 518, 5/F, Tower B, New Mandarin Plaza, 14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, sale of heat and biomass gasification related products and property investment primarily in the PRC.

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

(a) Adoption of new or amended HKFRSs – effective on 1 January 2022

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements to HKFRS Standards 2018-2020	

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments update HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the adoption of these amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond on 30 June 2021

The amendment extends the time limit in one of the qualifying criteria of the practical expedient for COVID-19-related rent concessions from 30 June 2021 to 30 June 2022. A lessee is required to apply the amendments retrospectively, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of equity at the beginning of the annual reporting period. Lessees that had elected to apply the practical expedient in their previous financial statements are required to apply the extension to eligible contracts with similar characteristics and in similar circumstances. The use of the practical expedient is available to more rent concessions, in particular those involving reduction in lease payments originally due after 30 June 2021 but before 30 June 2022.

The adoption of these amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Since there was no sale of items produced prior to the property, plant and equipment being available for use, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the adoption of these amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards:

- HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9 Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16 Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41 Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The adoption of these amendments did not have any impact on the financial position or performance of the Group.

(b) New or amended HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “2020 Amendments”) ⁴
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “2022 Amendments”)
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments) ²
Amendments to HKFRS 10 and HKAS 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 2023

² Effective for annual periods beginning on or after 1 January 2024

³ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of these amendments in the future will have material impact on these financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

The Group expected that the adoption of these amendments will not have any significant impact on these financial statements.

Amendments to HKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group expected that the adoption of these amendments will not have any significant impact on these financial statements.

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The 2020 Amendments provide clarification that if an entity's right to defer settlement of a liability is subject to compliance with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The 2020 Amendments also clarify the situations that are considered as a settlement of a liability. The 2020 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2020 Amendments is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

The directors of the Company do not anticipate that the application of these amendments in the future will have material impact on these financial statements.

Amendments to HKAS 1 - Non-current Liabilities with Covenants

The 2022 Amendments clarify how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. The 2022 Amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The 2022 Amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The 2022 Amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application of the 2022 Amendments is permitted.

Based on the Group's outstanding liabilities as at 31 December 2022, the directors of the Company do not anticipate that the application of the amendments will result in the reclassification of the Group's liabilities.

Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback (amendments)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted.

The Group expected that the adoption of these amendments will not have any significant impact on these financial statements.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

The Group expected that the adoption of these amendments will not have any significant impact on these financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

During the year, the Group has incurred a loss of HK\$11,820,000 and at the end of the reporting period, it recorded net current liabilities of HK\$125,547,000. The directors of the Company have assessed the situation and prepared a cash flow projection of the Group covering a period from the end of the reporting period to 31 March 2024 after taking into account of the following:

- I. The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflows from its operations.
- II. The Group’s pledged fixed deposit of RMB50,000,000 (equivalent to approximately HK\$56,536,000) as at 31 December 2022 has been released in February 2023 which provided funding for the Group to repay the short-term bank borrowings upon maturity in the coming year.
- III. The Group has undrawn bank and other loan facilities totalling RMB235,859,000 (equivalent to approximately HK\$266,688,000) as at 31 December 2022, out of which the bank facilities of RMB34,880,000 (equivalent to approximately HK\$39,439,000) and RMB190,000,000 (equivalent to approximately HK\$214,835,000) can be utilised by the Group up to the period ending 22 October 2027 and 20 September 2033 respectively.

The directors of the Company are of the opinion that as a result of the above measures and considerations, the Group will have sufficient working capital to meet its cash flows requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

4. SEGMENT REPORTING

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

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

Revenue from contracts with customers within the scope of HKFRS 15

- Transmission and distribution of natural gas
- Sale of heat and biomass gasification related products

On 31 December 2021, the directors of the Company resolved to cease the operation of trading of electronic components and this business segment has been classified as a discontinued operation.

Revenue from other sources

- Property investment

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

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

Inter-segment transfer of non-current assets are priced at net book value as at transfer date. There was no inter-segment sale or transfer during the years ended 31 December 2022 and 2021. Central revenue and expenses are not allocated to the operating segments as they are not included in the measurement of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

(a) Reportable segments**For the year ended 31 December 2022**

	Continuing operations			Discontinued operation		
	Transmission and distribution of natural gas HK\$'000	Sale of heat and biomass gasification related products HK\$'000	Property investment HK\$'000	Total HK\$'000	Trading of electronic components HK\$'000	Total HK\$'000
Revenue from external customers	<u>142,712</u>	<u>26,874</u>	<u>15,097</u>	<u>184,683</u>	-	<u>184,683</u>
Reportable segment profit/(loss)	<u>15,246</u>	<u>(1,550)</u>	<u>9,109</u>	<u>22,805</u>	-	<u>22,805</u>
Reportable segment assets	<u>252,895</u>	<u>109,563</u>	<u>248,446</u>	<u>610,904</u>	-	<u>610,904</u>
Reportable segment liabilities	<u>(139,422)</u>	<u>(23,163)</u>	<u>(40,037)</u>	<u>(202,622)</u>	-	<u>(202,622)</u>
Other segment information:						
Bank interest income	395	11	7	413	-	413
Unallocated						<u>2,421</u>
Total bank interest income						<u>2,834</u>
Gain on disposal of assets classified as held for sale	9,426	-	-	9,426	-	9,426
Impairment loss on property, plant and equipment	-	-	(3,282)	(3,282)	-	(3,282)
Write off of property, plant and equipment	(172)	-	-	(172)	-	(172)
Gain/(loss) on disposal of property, plant and equipment	-	(13)	-	(13)	-	(13)
Unallocated						<u>73</u>
Total gain on disposal of property, plant and equipment						<u>60</u>
Depreciation	(9,563)	(3,282)	(3,572)	(16,417)	-	(16,417)
Unallocated						<u>(890)</u>
Total depreciation						<u>(17,307)</u>

	Continuing operations				Discontinued operation	
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of other intangible assets	(378)	-	-	(378)	-	(378)
(Impairment loss)/reversal of impairment loss on trade receivables, net	(42)	-	14	(28)	-	(28)
Reversal of impairment loss on other receivables and prepayments, net	178	-	272	450	-	450
Loss arising from changes in fair value of investment properties	-	-	(2,028)	(2,028)	-	(2,028)
Additions to non-current assets Unallocated	(108,584)	(17,276)	(1,532)	(127,392)	-	(127,392)
						(3,982)
Total additions to non-current assets						<u>(131,374)</u>

For the year ended 31 December 2021

	Continuing operations				Discontinued operation	
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>141,544</u>	<u>-</u>	<u>141,544</u>
Reportable segment profit/(loss)	<u>20,909</u>	<u>(3,664)</u>	<u>8,682</u>	<u>25,927</u>	<u>(960)</u>	<u>24,967</u>
Reportable segment assets	<u>163,839</u>	<u>102,108</u>	<u>279,213</u>	<u>545,160</u>	<u>-</u>	<u>545,160</u>
Reportable segment liabilities	<u>(124,180)</u>	<u>(13,296)</u>	<u>(56,808)</u>	<u>(194,284)</u>	<u>-</u>	<u>(194,284)</u>
Other segment information:						
Bank interest income	91	14	6	111	-	111
Unallocated						<u>2,510</u>
Total bank interest income						<u>2,621</u>
Gain on disposal of a subsidiary	14,550	-	-	14,550	-	14,550
Depreciation	(10,223)	(2,168)	(3,524)	(15,915)	-	(15,915)
Unallocated						<u>(1,894)</u>
Total depreciation						<u>(17,809)</u>

	Continuing operations				Discontinued operation	
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amortisation of other intangible assets	(378)	-	-	(378)	-	(378)
Reversal of impairment loss on trade receivables, net	699	-	347	1,046	-	1,046
Reversal of impairment loss/ (impairment loss) on other receivables and prepayments, net	143	-	(555)	(412)	-	(412)
Loss arising from changes in fair value of investment properties	-	-	(1,564)	(1,564)	-	(1,564)
Impairment of inventories	-	-	-	-	(960)	(960)
Additions to non-current assets Unallocated	14,657	30,938	16,045	61,640	-	61,640
						<u>6,232</u>
Total additions to non-current assets						<u><u>67,872</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before income tax and discontinued operation		
Total reportable segment's profit	22,805	25,927
Segment loss from the discontinued operation	–	(960)
Unallocated other income and gains and losses	4,347	(326)
Corporate and other unallocated expenses	(29,103)	(25,381)
Finance costs	(6,360)	(5,014)
	<hr/>	<hr/>
Consolidated loss before income tax from continuing and discontinued operations	(8,311)	(5,754)
	<hr/> <hr/>	<hr/> <hr/>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assets		
Total reportable segment's assets	610,904	545,160
Cash and cash equivalents	33,159	111,700
Pledged bank deposit	56,536	61,347
Unallocated corporate assets	37,922	34,743
	<hr/>	<hr/>
Consolidated total assets	738,521	752,950
	<hr/> <hr/>	<hr/> <hr/>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Liabilities		
Total reportable segment's liabilities	(202,622)	(194,284)
Deferred tax liabilities	(25,825)	(28,559)
Unallocated corporate liabilities	(174,656)	(163,914)
	<hr/>	<hr/>
Consolidated total liabilities	(403,103)	(386,757)
	<hr/> <hr/>	<hr/> <hr/>

(c) **Disaggregation of revenue from contracts with customers**

The Group derives revenue from the transfer of goods at a point in time of HK\$169,586,000 from its transmission and distribution of natural gas and sale of heat and biomass gasification related products for the year ended 31 December 2022 (2021: HK\$122,602,000).

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

For the year ended 31 December 2022

	Continuing operations			Discontinued operation		
	Transmission and distribution of natural gas <i>HK\$'000</i>	Sale of heat and biomass gasification related products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	Trading of electronic components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets						
PRC	142,712	26,874	15,097	184,683	-	184,683
	<u>142,712</u>	<u>26,874</u>	<u>15,097</u>	<u>184,683</u>	<u>-</u>	<u>184,683</u>
Major products/services						
Sale of goods	142,712	26,874	-	169,586	-	169,586
Rental income	-	-	15,097	15,097	-	15,097
	<u>142,712</u>	<u>26,874</u>	<u>15,097</u>	<u>184,683</u>	<u>-</u>	<u>184,683</u>

For the year ended 31 December 2021

Primary geographical markets						
PRC	108,292	14,310	18,942	141,544	-	141,544
	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>141,544</u>	<u>-</u>	<u>141,544</u>
Major products/services						
Sale of goods	108,292	14,310	-	122,602	-	122,602
Rental income	-	-	18,942	18,942	-	18,942
	<u>108,292</u>	<u>14,310</u>	<u>18,942</u>	<u>141,544</u>	<u>-</u>	<u>141,544</u>

The Group's revenue from external customers for the years ended 31 December 2022 and 2021 was derived from the PRC (place of domicile).

(d) **Information about major customers**

For the year ended 31 December 2022, revenue from a customer in transmission and distribution of natural gas segment amounted to HK\$123,099,000 which contributed approximately 67% of the Group's total revenue.

For the year ended 31 December 2021, revenue from a customer in transmission and distribution of natural gas segment amounted to HK\$87,335,000 which contributed approximately 62% of the Group's total revenue.

5. **REVENUE**

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Revenue from contracts with customers		
Transmission and distribution of natural gas	142,712	108,292
Sale of heat and biomass gasification related products	26,874	14,310
Revenue from other sources		
Gross rental income	15,097	18,942
	<u>184,683</u>	<u>141,544</u>

Trade receivables from contracts with customers as at 31 December 2022 amounted to HK\$17,429,000 (2021: HK\$14,030,000).

6. **OTHER INCOME AND GAINS AND LOSSES**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Bank interest income	2,834	2,621
Sundry income	2,403	2,438
Exchange losses, net	(391)	–
Write off of property, plant and equipment	(172)	(1,941)
Fair value loss on investments held for trading	(36)	(129)
Impairment loss on property, plant and equipment	(3,282)	–
Gain on disposal of property, plant and equipment	60	–
Government grants		
– Employment Support Scheme (<i>Note</i>)	182	–
	<u>1,598</u>	<u>2,989</u>

Note: The amount represents salaries and wages subsidies granted under Anti-epidemic Fund by Government of the Hong Kong Special Administrative Region.

7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Interest on bank loans and other borrowings	8,621	8,077
Interest on loans from a major shareholder	4,550	3,940
Interest on lease liabilities	654	296
	<u>13,825</u>	<u>12,313</u>
Less: Amount capitalised (<i>Note</i>)	<u>(7,465)</u>	<u>(7,299)</u>
	<u><u>6,360</u></u>	<u><u>5,014</u></u>

Note: Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 8% (2021: 7%) to expenditure on construction in progress.

8. LOSS BEFORE INCOME TAX

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

	2022 HK\$'000	2021 HK\$'000
Continuing operations		
Cost of inventories sold	135,784	97,529
Depreciation of property, plant and equipment		
– Owned	13,247	12,924
– Right-of-use assets	4,060	4,885
	<u>17,307</u>	<u>17,809</u>
Items included in other operating expenses:		
Auditor's remuneration	1,280	1,280
Short-term lease expenses	373	859
Building management fees for self-used office premises	250	934
Investment property management fees	3,231	4,231
Entertainment and trip expenses	2,362	4,588
Legal and professional fees	1,486	1,080
Research and development expenses	827	–
Motor vehicle expenses	2,963	2,371
Other tax expenses	3,618	3,922
	<u><u>17,307</u></u>	<u><u>17,809</u></u>
Discontinued operation		
Impairment of inventories	–	960
	<u><u>–</u></u>	<u><u>960</u></u>

(b) Discontinued operation

The Group started to scale down its business of trading of electronic components during the year 2019 due to persistently net loss suffered by the Group, and no revenue was derived from this business during the years ended 31 December 2020 and 2021. On 31 December 2021, the directors of the Company resolved to cease the operation of trading of electronic components. Inventories related to this business were fully impaired. Consequently, the operation had been discontinued.

	2021 <i>HK\$'000</i>
Results of the discontinued operation:	
Revenue	–
Expenses	960
Finance costs	–
	<hr/>
Loss before income tax	960
Income tax	–
	<hr/>
Loss for the year from a discontinued operation	960
Net cash flows of the discontinued operation:	
Operating cash flows	–
Investing cash flows	–
Financing cash flows	–
	<hr/>
	–
	<hr/> <hr/>
Loss per share of the discontinued operation:	
Basic and diluted (<i>Note 11</i>)	HK\$0.001
	<hr/> <hr/>

9. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – PRC		
– tax for the year	4,016	2,896
Deferred tax liabilities		
– current year	(507)	(391)
	<hr/>	<hr/>
Total income tax expense for the year	3,509	2,505
	<hr/> <hr/>	<hr/> <hr/>

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

Fujian China Primary Energy Limited (“Fujian CP Energy”) and Huaining China Primary Energy Company Limited (“Huaining CP Energy”) obtained 高新技術企業證書 (High Technology Enterprise Certificate). Fujian CP Energy entitled to enjoy the enterprise income tax at the concessionary rate of 15% for the years ended 31 December 2022 and 2021 and Huaining CP Energy entitled to the concessionary rate of 15% from the year ended 31 December 2022.

For the Group’s other operating subsidiaries in the PRC, in accordance with the PRC Enterprise Income Tax Law approved by the National People’s Congress on 16 March 2007 and became effective from 1 January 2008, they are subject to enterprise income tax (“EIT”) at the unified EIT rate of 25%.

10. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

11. LOSS PER SHARE

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

	2022	2021
	HK\$’000	HK\$’000
Loss:		
Loss for the year attributable to owners of the Company		
From continuing operations	(9,855)	(6,981)
From a discontinued operation	–	(960)
	(9,855)	(7,941)
	Number of shares	
	2022	2021
	’000	’000
Weighted average of number of ordinary shares in issue	1,023,987	1,023,987

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 does not assume the exercise of the Company’s outstanding share options since their exercise price exceeds average market price during 2022 and 2021.

Accordingly, the basic and diluted loss per share for the years ended 31 December 2022 and 2021 are the same.

12. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries and allowances	19,198	21,500
Retirement benefit scheme contributions	1,657	2,072
	<u>20,855</u>	<u>23,572</u>

For the years ended 31 December 2022 and 2021, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2022 and 2021, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme.

13. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finished goods	8,140	9,551

14. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	26,893	25,669
Less: provision for impairment	(8,161)	(8,755)
	<u>18,732</u>	<u>16,914</u>

- (a) For the business of transmission and distribution of natural gas and sale of heat and biomass gasification related products, credit terms are within 30 days to 60 days. For the business of property investment, tenants are required to pay rentals, generally 1 to 3 months, in advance. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	8,755	8,530
Impairment loss/(reversal of impairment loss), net	28	(1,046)
Exchange realignment	(622)	1,271
	<u> </u>	<u> </u>
At 31 December	8,161	8,755
	<u> </u>	<u> </u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	18,421	16,914
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	311	–
	<u> </u>	<u> </u>
	18,732	16,914
	<u> </u>	<u> </u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Not past due	18,421	16,759
	<u> </u>	<u> </u>
Less than 31 days past due	–	155
31 – 60 days past due	–	–
61 – 90 days past due	–	–
Over 90 days but less than 1 year past due	311	–
More than 1 year past due	–	–
	<u> </u>	<u> </u>
	311	155
	<u> </u>	<u> </u>
	18,732	16,914
	<u> </u>	<u> </u>

- (e) The Group has not pledged any of its trade receivables as at 31 December 2022 (2021: Nil).

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other receivables and deposits	36,870	27,825
Value added tax recoverable	12,229	11,062
Prepayments	16,509	10,724
	<hr/>	<hr/>
	65,608	49,611
Less: provision for impairment loss on other receivables and prepayments	(8,218)	(9,405)
	<hr/>	<hr/>
	57,390	40,206
	<hr/> <hr/>	<hr/> <hr/>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	9,405	8,014
(Reversal of impairment loss)/impairment loss recognised, net	(450)	412
Exchange realignment	(737)	979
	<hr/>	<hr/>
At 31 December	8,218	9,405
	<hr/> <hr/>	<hr/> <hr/>

16. TRADE PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	7,931	3,193
31 – 60 days	59	–
61 – 90 days	2,367	–
Over 90 days	2,116	3,147
	<hr/>	<hr/>
	12,473	6,340
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE OUTLOOK

Total revenue of the Group for the year ended 31 December 2022 increased approximately by 30.5% when compared to the corresponding period in 2021. Such increase was mainly due to increase in demand of natural gas in early 2022 and the contribution of the new biomass gasification heating business in 2022. With the quick recovery from the impact of COVID-19 (the “Pandemic”) of the People’s Republic of China (the “PRC”), our businesses in the PRC were benefited and were growing steadily. Moreover, the increase in demand of the clean energy in the PRC was an important factor that motivated the growth of the natural gas business.

The natural gas business is still the core business of the Group. Operating scale of the natural gas business segment continued to be stable in 2022. The government of the PRC has implemented the policies to encourage the use of clean energy in the PRC and the board (the “Board”) of directors (the “Director(s)”) considered the prospect of natural gas business is bright. Those policies included the process to change the use of petrol and oil to natural gas for vehicles and industrial users, the set up of the natural gas network department, etc. The Group operated the natural gas business in various areas and provinces in the PRC in 2022. Our customers are mostly industrial customers.

The Group has commenced its operation of the biomass gasification heating plant and facilities in Huaining County, Anhui Province in last year. This is a new segment of the clean energy business. With the great demand of heat supply in the relevant area in Huaining County, the Group expects the segment will generate considerable revenue for the Group. Since the factory construction and operation was not in full scale, the revenue generated was not able to cover the operating costs yet. At such, loss incurred in 2022 for this segment. The situation will be improved with the proceed of the construction.

The property investment business in Yichang provide stable cash inflow during the year under review. The area of our investment properties is the industrial park for manufacturing of vehicle which was developed by the Yichang government. Therefore, all of our tenants are manufacturers of vehicle parts. Since the industry is supported and developed by the Yichang government, we believe the property investment business will continue to be one of the major segments of the Group.

The outbreak of the Pandemic continued to affect the global economy and to most of the industries even it came to an end in 2023. The recovery of the world economy takes time. Luckily, the impact of the Pandemic to the Group was not so direct and significant as our business of natural gas distribution and property investment relied more on customers’ internal demand and natural gas is necessity. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group’s operations and operating results.

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

FINANCIAL REVIEW

Total revenue was approximately HK\$184,683,000 for the year ended 31 December 2022, which represented an increase of approximately 30.5% when compared with last year's total revenue of approximately HK\$141,544,000. The Board believes that revenue of the Group will be improved with the growing of the clean energy business.

During the year under review, audited loss before income tax was approximately HK\$8,311,000 (2021: loss of approximately HK\$4,794,000). The loss attributable to owners of the Company was approximately HK\$9,855,000 (2021: loss of approximately HK\$7,941,000). The loss was increased when compared to the corresponding period of last year because of increase in operating expenses of certain segments of the Group. In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the shareholders.

BUSINESS OUTLOOK AND PROSPECTS

From 2023 onwards, the Board is optimistic that the Group will perform much better with the expansion of the energy segment. Currently, the energy segment mainly consists of the natural gas business and biomass gasification heating business. The Group has developed a natural gas sales network of certain scale. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment and significant revenue will be contributed by the natural gas business. The energy segment will expand and continue to be the core business segment of the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, net assets of the Group were approximately HK\$335,418,000 (2021: approximately HK\$366,193,000) while its total assets were approximately HK\$738,521,000 (2021: approximately HK\$752,950,000) including cash and bank balances of approximately HK\$33,159,000 (2021: approximately HK\$111,700,000) and pledged bank deposit approximately of HK\$56,536,000 (2021: approximately HK\$61,347,000).

FUNDING ACTIVITIES DURING THE YEAR

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

GEARING RATIO

As at 31 December 2022, current assets of the Group amounted to approximately HK\$174,000,000 which included cash and bank balances of approximately HK\$345,000 and approximately RMB29,021,000 (equivalent to HK\$32,814,000), while current liabilities stood at approximately HK\$299,547,000. The Group has external borrowings of approximately HK\$263,438,000. Equity attributable to owners of the Company amounted to approximately HK\$285,978,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 92% (borrowings to equity attributable to owners of the Company) as of 31 December 2022.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022, certain of the Group’s investment properties, right-of-use assets and pledged bank deposit were pledged as security for the Group’s bank borrowing, and the Group did not have any significant contingent liabilities.

SEGMENT INFORMATION

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

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on GEM of the Stock Exchange on 13 December 2001. As at 31 December 2022, the issued share capital of the Company was made up of 1,023,987,439 ordinary shares of HK\$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group did not made any significant investment during the year ended 31 December 2022. No material plan for future investment was noted as at the date of this annual results announcement.

EMPLOYEE INFORMATION

As at 31 December 2022, the Group had 9 full-time employees working in Hong Kong and 142 full-time employees working in the PRC. Total employees' remuneration (including Directors' remuneration) for the year under review amounted to approximately HK\$20,855,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and Code Provisions D.3.3 and D.3.7 of the Corporate Governance Code (the "Code"). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year under review, the Audit Committee chaired by Mr. Wan Tze Fan Terence, comprises two other members, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's annual report, half-yearly report, quarterly reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2022, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2022. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions set out in the Code for the year ended 31 December 2022 contained in Appendix 15 of the GEM Listing Rules, with the exception of the following code provisions:

Code Provision C.2.1

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

For the year 2022, the Company did not have an officer with the title of “Chief Executive”. The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company’s business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of some of the Company’s operating subsidiaries. This constitutes a deviation of Code Provision C.2.1. The Board holds the view that this arrangement is appropriate for the Company but the Company does not compromise accountability and independent decision making for this since the Company has an audit committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

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

Hong Kong, 22 March 2023

For identification only

As at the date of this announcement, the Board comprises Ms. MA Zheng and Mr. YUAN Geng who are the executive Directors, Mr. JI Jianghua who is the non-executive Director, and Mr. WAN Tze Fan Terence, Mr. CHUNG Chin Keung and Mr. SUNG Ren Keh who are the independent non-executive Directors.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for at least 7 days from the date of its publication and on the Company’s designated website at <https://china-p-energy.etnet.com.hk>.