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

(Incorporated in the Cayman Islands with limited liability)

08246.HK

2022
ANNUAL REPORT

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This report, for which the directors (the "Directors") of Zhonghua Gas Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.

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Corporate Information

Board of Directors

Executive Directors

Mr. Hu Yishi *(Executive Chairman)*
Mr. Chan Wing Yuen, Hubert *(Chief Executive Officer)*
Ms. Lin Min, Mindy
Ms. Kwong Wai Man, Karina *(Chief Financial Officer)*

Independent non-executive Directors

Ms. Ma Lee
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Company Secretary

Mr. Wong Lok Man

Compliance Officer

Mr. Chan Wing Yuen, Hubert

Board Committees

Audit Committee

Ms. Ma Lee *(Chairlady)*
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Remuneration Committee

Ms. Ma Lee *(Chairlady)*
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Nomination Committee

Ms. Ma Lee *(Chairlady)*
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Authorised Representatives

Mr. Chan Wing Yuen, Hubert
Ms. Kwong Wai Man, Karina

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Cayman Islands

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Cayman Islands

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Conyers Dill & Pearman

Auditor

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Causeway Bay,
Hong Kong

Principal Bankers

The Hong Kong & Shanghai Banking Corporation Limited
Huaxia Bank
Shanghai Pudong Development Bank
Bank of China Limited

Company Website

http://www.8246hk.com

GEM Stock Code

8246

Executive Chairman's Statement

On behalf of the Board (the "Board") of Directors (the "Directors") of Zhonghua Gas Holdings Limited (the "Company"), I would like to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Current Year").

Faced with the ongoing challenge and threat of a coronavirus pandemic, there is no doubt that 2022 continued to be a difficult year for many industries and sectors around the world. During the Current Year, the Group recorded an overall revenue of approximately RMB200.5 million, representing a decrease of 52.3% compared with the year ended 31 December 2021 (the "Previous Year"), primarily contributed by continuous COVID-19 outbreak in Tianjin and Shanghai, of which Shanghai had been in lockdown from March to June 2022, resulted in lesser demand for liquefied nature gas ("LNG").

With the travel restrictions the PRC government lifted in first quarter of 2023, communications with our existing and potential business partners had resumed and re-activated.

Despite the economic downturn caused by the lingering effects of the global pandemic in previous years, we see great potential for growth in new energy as the pandemic has delayed the overall development of industrial and commercial activity.

As such, we remain committed and focused on recovering, developing and expanding our new energy business and considering new energy sectors beyond LNG supply, while continuing to identify and partner on suitable projects to diversify our portfolio. We have been rigorously developing our expansion strategy and implementation plan to accomplish our objectives in the PRC's post-pandemic recovery.

We continue to look forward to the gradual recovery of the country's economy over the next few years, and we hope to see an overall improvement in our business soon.

We will continue to closely monitor the current situation while keeping the interests of our shareholders at the forefront. Our goal of becoming a leading diversified and integrated new energy service provider in Greater China Region remains on track.

In closing I would like to thank you, our shareholders, for your support through 2022 and for your continuing support as we look forward to a future in which we continue to generate progressive returns and long-term value.

Hu Yishi
Executive Chairman

Hong Kong, 24 March 2023

Principal Activities

The principal activities of the Group are provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with sales of LNG ("New Energy Business") and leasing of investment properties (the "Property Investments").

Financial Highlights

The Board of the Company announces the audited consolidated annual results of the Group for the Current Year, together with the audited comparative figures for the Previous Year as follows:

	2022		2021		Increase/ (decrease)
	RMB'000	**HKD'000#**	RMB'000	HKD'000*	
Revenue	**200,529**	**224,492**	420,656	514,504	(52.3%)
Gross loss[(a)]	**(7,949)**	**(8,899)**	(7,029)	(8,597)	13.1%
Loss and total comprehensive income for the year	**(3,739)**	**(4,186)**	(213,585)	(261,236)	(98.2%)
Loss and total comprehensive income attributable to owners of the Company	**(5,254)**	**(5,882)**	(191,311)	(233,992)	(97.3%)
Loss before tax	**(3,695)**	**(4,137)**	(209,590)	(256,350)	(98.2%)
Gain/(loss) before tax and depreciation	**10,855**	**12,152**	(194,751)	(238,200)	(105.6%)
Loss per share					
Basic and diluted	**RMB(0.001)**	**HK$(0.001)**	RMB(0.053)	HK$(0.065)	(98.1%)
Dividend	**Nil**	**Nil**	Nil	Nil	N/A

Financial Highlights

	As at 31.12.2022		As at 31.12.2021		Decrease
	RMB'000	HKD'000#	RMB'000	HKD'000*	
Total assets	**346,729**	**388,163**	358,922	438,997	(3.4%)
Net assets	**142,953**	**160,036**	144,692	176,973	(1.2%)
Cash and cash equivalents	**38,752**	**43,383**	60,769	74,327	(36.2%)
Equity attributable to owners of the Company	**109,789**	**122,909**	115,043	140,709	(4.6%)

Key Financial Indicators	2022	2021
Gross loss margin[(b)]	**(4.0%)**	(1.7%)
Net loss margin[(c)]	**(1.9%)**	(50.8%)
Loss on average equity[(d)]	**(4.7%)**	(91.6%)
Current ratio (times)[(e)]	**1.5**	2.2
Net gearing ratio[(f)]	**59.5%**	54.5%

Notes:

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

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

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

(d) The calculation of loss on average equity is based on loss attributable to owners of the Company divided by average equity attributable to owners of the Company.

(e) The calculation of current ratio is based on current assets divided by current liabilities.

(f) The calculation of net gearing ratio is based on convertible bonds divided by total equity.

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

* Converted to HK$ at exchange rate of RMB1 = HK$1.2231 on 31 December 2021 for reference.

Management Discussion and Analysis

BUSINESS REVIEW

For the Current Year, the Group's total revenue amounted to approximately RMB200.5 million, decreased approximately 52.3% from approximately RMB420.7 million for the Previous Year, mainly due to continuous COVID-19 outbreak in the Group's primary markets, Tianjin and Shanghai, of which Shanghai in particular had been in lockdowns from March to June 2022, leading to demand softness for liquefied natural gas ("LNG").

The New Energy Business continued to contribute over 99% to the Group's total revenue. A net loss after tax of approximately RMB3.7 million was recorded for the Current Year as compared to a net loss after tax of approximately RMB213.6 million recorded in the Previous Year, mainly due to reversal of allowance of impairment on trade receivable of approximately RMB29.4 million for the Current Year (Previous Year: allowance of impairment on trade receivable of approximately RMB195.4 million).

As disclosed in the prior year annual reports, the Group faced difficulty of the collections of trade receivables due to the economic instability under novel coronavirus ("COVID-19"), the customers of the Group slowed down their repayment. The delay of payment and overdue balance led to an increase in expected credit loss rates in 2020 and 2021. Thanks to the Group's collection team, the Group successfully recovered certain long outstanding trade receivables in the fourth quarter of 2022.

Loss and total comprehensive income attributable to owners of the Company for the Current Year amounted to approximately RMB5.3 million compared to loss and total comprehensive income attributable to owners of the Company of approximately RMB191.3 million recorded for the Previous Year.

New Energy Business

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

During the Current Year, the New Energy Business generated revenue primarily from LNG supply and the management of customers' LNG supply station, but the city lockdowns limited considerable restrictions on customer access, resulting in a significant drop in demand for LNG products. The LNG supply business has been highly competitive in terms of price that squeezed the margins. The epidemic continued to affect market conditions and no new projects were secured for the construction related and consultancy services of the new energy business. The coal-to-natural gas conversion in Tianjin is also becoming saturated and the Group expects the number of new projects to continue to decrease in the future.

Starting in the first quarter of 2023, the government of China has lifted the travel restrictions, therefore communications with the Group's existing and potential business partners has immediately been activated.

The Group's strategic cooperation with a wholly-owned subsidiary of a top Fortune Global 500 company, namely Jiangsu Shagang Group Co., Ltd. signed in September 2021 commenced operation in April 2022 through the supply of LNG to the partner and the management of its LNG supply station. The contribution from the Group is expected to increase upon successful establishment of scale in 2023 when the economy rebounds following a full exit from COVID-19 controls. This reassures the Group's confidence in LNG business.

Management Discussion and Analysis

The Group continues to maintain strategic partnerships with Tractebel Engineering S.A. from France and a number of other significant partners with a view to explore new business opportunities with potential customers.

Property Investments

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. During the Current Year, both premises continued to be on medium-term lease and generated long-term stable rental income for the Group. In November 2022, one of the properties was redesignated for self-use and transferred from investment property to property, plant and equipment.

FINANCIAL REVIEW

Revenue

For the Current Year, revenue of the Group amounted to approximately RMB200.5 million, representing a decrease of 52.3% from approximately RMB420.7 million for the Previous Year. The decrease was mainly attributable to the decrease in revenue of approximately RMB220.0 million from New Energy Business during the Current Year.

Cost of Sales

The cost of sales of New Energy Business decreased to approximately RMB208.5 million as compared to approximately RMB427.7 million for the Previous Year. The decrease was mainly attributable to the decrease in cost in LNG supply during the Current Year.

Gross (Loss)/Profit Margin

	2022	2021
New Energy Business	**(4.2%)**	(1.8%)
Property Investments	**100%**	100%
Group total	**(4.0%)**	(1.7%)

Gross loss represents revenue less cost of sales. Gross loss margin of the New Energy Business segment increased from 1.8% for the Previous Year to 4.2% for the Current Year. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both years.

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

Other (Losses)/Gains

Other losses of approximately RMB10.2 million were recorded in the Current Year as compared to other gains of approximately RMB9.2 million in the Previous Year, mainly due to the fair value losses of Convertible Bonds of approximately RMB5.6 million recognised in the Current Year (Previous Year: fair value gains of approximately RMB8.7 million) and the foreign exchange losses of approximately RMB3.6 million recognised in the Current Year (Previous Year: foreign exchange gains of approximately RMB0.5 million).

Administrative Expenses

Administrative expenses decreased by 4.3% from approximately RMB25.4 million for the Previous Year to approximately RMB24.3 million for the Current Year. The decrease was due to the cost saving measures.

Finance Costs

For the Current Year, the Group's finance costs were approximately RMB0.2 million (Previous Year: approximately RMB0.3 million), representing an decrease of RMB0.1 million or 28.3%, which was mainly due to increase in the cost incurred from the lease liabilities arose from right-of-use assets.

Income Tax Expense

Income tax expense was recorded approximately RMB0.1 million for the Current Year (Previous Year: income tax expense of approximately RMB4.0 million). It was mainly derived from the effect of PRC income tax for the Current Year.

Gain/(loss) and Total Comprehensive Income Attributable to Non-controlling Interests

Loss and total comprehensive income attributable to non-controlling interest of approximately RMB22.3 million was recorded for the Previous Year and gain and total comprehensive income attributable to non-controlling interest of approximately RMB1.5 million was recorded for the Current Year. This was mainly attributable to the net gain recorded by the non-wholly owned subsidiaries in Tianjin for the Current Year.

Management Discussion and Analysis

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income attributable to owners of the Company recorded a decrease by 97.3% from approximately RMB191.3 million for the Previous Year to approximately RMB5.3 million for the Current Year.

Basic and diluted loss per share for the Current Year were both RMB0.001, as compared to basic and diluted loss per share of RMB0.053 for the Previous Year.

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

New Energy Business

The results of the New Energy Business recorded a decrease in revenue of 52.4% from approximately RMB420.2 million for the Previous Year to approximately RMB200.1 million for the Current Year. The revenue from this business segment accounted for 99.8% of the Group's total revenue (Previous Year: 99.9%).

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

District	**2022 Revenue RMB million**	2021 Revenue RMB million
Beichen, Tianjin (北辰區，天津)	**185.5**	160.8
Zhangjiagang, Jiangshu (張家港市，江蘇)	**14.5**	0.2
Qingdao, Shandong (青島市，山東)	**0.1**	—
Xiqing, Tianjin (西青區，天津)	**—**	7.3
Pudong Xinqu, Shanghai (浦東新區，上海)	**—**	250.1
Hungpu, Shanghai (黃浦區，上海)	**—**	0.1
Qidong, Jiangshu (啟東市，江蘇)	**—**	1.7
	200.1	420.2

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

Property Investments

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. The properties were being held for investment purpose and it generated rental income and segmental profit of approximately RMB0.4 million and RMB0.4 million respectively in the Current Year (Previous Year: approximately RMB0.5 million and RMB0.5 million respectively). The investment properties were expected to bring stable long-term rental income to the Group. In November 2022, one of the properties was redesignated for self-use and transferred from investment property to property, plant and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, cash and cash equivalents maintained by the Group were approximately RMB38.8 million, representing a decrease of 36.2% from approximately RMB60.8 million as at 31 December 2021, mainly due to funds used in operating expenses in the Current Year.

Trade and other receivables as at 31 December 2022 were approximately RMB257.0 million, increased by 11.1% from approximately RMB231.3 million as at 31 December 2021, which mainly represented the effect of increase in prepayment near year end when compared to the Previous Year.

Trade and other payables decreased from approximately RMB128.0 million as at 31 December 2021 to approximately RMB114.4 million as at 31 December 2022, by 10.6%, mainly reflected the decrease in trade payables from the New Energy Business.

Contract liabilities decreased to RMB Nil as at 31 December 2022 compared with approximately RMB0.3 million as at 31 December 2021 due to decrease in advance from customers. Finance lease liabilities raised from right-of-use assets of office locations of approximately RMB2.9 million compared with approximately RMB5.8 million as at 31 December 2021. Both the tax liability as at 31 December 2022 and as at 31 December 2021 were approximately RMB1.4 million.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2022 were approximately RMB295.7 million and approximately RMB202.7 million (31 December 2021: approximately RMB292.0 million and approximately RMB132.5 million) respectively.

The Group had no bank borrowings as at 31 December 2022. The gearing ratio of the Group, measured as convertible bonds to total equity, increased to 59.5% as at 31 December 2022 (31 December 2021: 54.5%), such increase was due to the decrease in total equity as at 31 December 2022. The Group recorded net assets of approximately RMB143.0 million as at 31 December 2022 compared with approximately RMB144.7 million as at 31 December 2021. The decrease was mainly due to the net loss recorded during the Current Year. During the Current Year, the Group financed its operations with the funds from issuance of the Convertible Bonds and its internal resources.

FUNDRAISINGS THROUGH ISSUANCE OF CONVERTIBLE BONDS

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

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

As at 31 December 2022, no Convertible Bonds have been converted into new conversion shares of the Company.

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

USE OF PROCEEDS

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

As at 31 December 2022, the Company has utilized approximately HK$46.3 million (equivalent to approximately RMB41.4 million) for general working capital of the Group and approximately HK$14.6 million (equivalent to approximately RMB13.0 million) for enhancement of the existing business of the Group.

The intended and actual use of proceeds from the issuance of Convertible Bonds up to 31 December 2022 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 31 December 2022	Unutilised proceeds up to 31 December 2022	Expected timeline for use of unutilised proceeds
approximately HK$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB41.4 million	Nil	By 2023
	(ii) enhancement of the existing business of the Group (50%)	approximately RMB13.0 million	approximately RMB28.3 million	By 2023

CAPITAL STRUCTURE

During the Current Year, no shares was issued and allotted pursuant to the exercise of share options. As at 31 December 2022, the Company had an aggregate of 3,666,936,000 shares of HK$0.00125 each in issue.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

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

Management Discussion and Analysis

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 35 to the consolidated financial statements.

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

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

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

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not have any mortgage or charge over its assets (Previous Year: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 31 December 2022, the Group has approximately 31 full time employees in the PRC and 15 staffs in Hong Kong. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business. The remuneration of the Group has maintained at competitive level with discretionary bonuses payable on a merit basis and in line with industrial practice. Apart from salary payments, other staff benefits provided by the Group includes mandatory provident fund, insurance schemes and performance related bonus.

PROSPECTS

Green energy LNG is the energy alternative of the future and as such, the potential for domestic growth remains significant. It is national policy of using natural gas to displace oil and coal is consistent with the two long-term carbon goals of peaking carbon emissions by 2030 and carbon neutrality by 2060. China's real GDP growth is forecast to improve from 3% in 2022 to 4.5% in 2023, renewable power generation will continue to surge.

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

Management Discussion and Analysis

China is speeding up construction of infrastructure for gas and LNG transportation. China plans to expand LNG terminals along its eastern coast, forming five major regional gas reserve groups designed to reach a capacity of 20 bcm by 2020. All these measures are in anticipation of China consuming up to 400 bcm of gas per year by the end of the decade. At the same time, China is planning for 34 coastal LNG receiving terminals, with an annual imported capacity of 247 million tonnes by 2035, triple the current capacity.

The government is pursuing an active go-out strategy for security of the gas and LNG supply. While expanding domestic pipeline and storage infrastructure, China has also enhanced pipeline delivery capacities from Central Asia, Burma and Russia. In terms of LNG import, China has signed long-term contracts with countries such as Australia, Qatar, Malaysia, Indonesia and Russia.

China's government has initiated policies to promote LNG bunkering along its waterways. In 2022, Shanghai Port became China's first port to provide this capability. Therefore, the Group will increase its eyeballs at Shanghai and its neighboring cities to capture the recovery growth.

At present, the Group's priority remains to recover, develop and expand the scope of its new energy business and to expand its emerging network and geographical footprint as China recovers from the epidemic while seeking opportunities to enter other overseas markets, such as Europe, to expand its market presence.

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

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Hu Yishi ("Mr. Hu"), aged 47, is our executive chairman (the "Executive Chairman") and executive Director. He joined our Group in August 2015 and is responsible for the overall corporate development and strategic planning of the Group. Mr. Hu is the spouse of Ms. Lin Min, Mindy, an executive Director of the Company. Mr. Hu holds directorship positions within other members of the Group.

Mr. Hu was previously an executive director of Zhong Fa Zhan Holdings Limited, now known as Central Development Holdings Limited (stock code: 475) and a non-executive director and the chairman of Kai Yuan Holdings Limited (stock code: 1215), the issued shares of both companies are listed on the Stock Exchange.

Mr. Hu graduated from Shanghai International Tourism Vocational Technology School. Mr. Hu has accumulated extensive experience in China affairs, business development and business expansion. He is also experienced in the overall strategic planning, management and operation of the Group.

Mr. Chan Wing Yuen, Hubert ("Mr. Chan"), aged 65, is our chief executive officer (the "CEO") and an executive Director. He joined the Group in August 2014 and is responsible for business policy formulation and execution. He is the compliance officer and the authorised representative of the Company and holds directorship positions within other members of the Group.

Mr. Chan has been an executive director of Central Development Holdings Limited (stock code: 475) since November 2011. Mr. Chan has also been an independent non-executive director of Tian Ge Interactive Holdings Limited (stock code: 1980) since June 2014 and FIT Hon Teng Limited (stock code: 6088) since November 2016. The issued shares of these companies are listed on the Stock Exchange.

Mr. Chan spent over ten years with the Stock Exchange and his last position was the director of the listing division in charge of the China Listing Affairs Department. He also held various positions with companies listed on the Stock Exchange. Mr. Chan was previously a director of Guangdong Investment Limited (stock code: 270), an independent non-executive director of China Smarter Energy Group Holdings Limited (stock code: 1004), an executive director of EverChina Int'l Holdings Company Limited (stock code: 202) and an executive director of China Pipe Group Limited (stock code: 380). He was also an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd., a company listed on the Stock Exchange (stock code: 6116) and The Shanghai Stock Exchange (stock code: 603157).

Mr. Chan obtained a higher diploma in company secretaryship and administration from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Chan has been an associate member and a fellow member of The Hong Kong Institute of Directors since 1998 and 2022 respectively, and an ordinary member of Hong Kong Securities and Investment Institute since 1999. Mr. Chan has been an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance. In addition, Mr. Chan was a member of the 10^{th}, 11^{th} and 12^{th} Heilongjiang Province Committee of the People's Political Consultative Conference.

Biographical Details of Directors and Senior Management

Ms. Lin Min, Mindy ("Ms. Lin"), aged 47, is our executive Director. She joined our Group in August 2014 and is the spouse of Mr. Hu, an executive Director and the Executive Chairman of the Company. She is a member of the Remuneration Committee and the Nomination Committee of the Company and holds directorship positions within other members of the Group.

Ms. Lin was previously an executive director of Sheng Yuan Holdings Limited (stock code: 851), the issued shares of which are listed on the Stock Exchange.

Ms. Lin graduated from the research programme on enterprise management from East China Normal University (華東師範大學) and the enterprise management programme from Shanghai Jingan District College (上海市靜安區業餘大學).

Ms. Kwong Wai Man, Karina ("Ms. Kwong"), aged 53, is our chief financial officer (the "CFO") and executive Director. She joined our Group in August 2014 and is responsible for the overall finance and administration functions and corporate governance enforcement of the Group. She is the process agent and the authorised representative of the Company and holds directorship positions within other members of the Group.

Ms. Kwong has extensive experience in accounting, financial management and corporate finance. Ms. Kwong worked for sizable organisations in various industries as senior executives in both Canada and Hong Kong.

Ms. Kwong was previously an executive director of Zhong Fa Zhan Holdings Limited (now known as Central Development Holdings Limited) (stock code: 475), Sheng Yuan Holdings Limited (stock code: 851) and Kai Yuan Holdings Limited (stock code: 1215), the issued shares of all companies are listed on the Stock Exchange.

Ms. Kwong holds a bachelor's degree in Business Administration from the Simon Fraser University, is a member of the American Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute, and a fellow member of the Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Lee ("Ms. Ma"), aged 58, is our independent non-executive Director. She joined our Group in October 2014 and is the chairlady in each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Ma has years of experience in financial management and professional accounting. Having started her career as a professional accountant in an international accountancy firm, she has undertaken key financial management positions in companies engaged in different industries.

Ms. Ma was previously the chief financial officer and company secretary of Shinhint Acoustic Link Holdings Limited (now known as Jintai Energy Holdings Limited) (stock code: 2728), the issued shares of which are listed on the Stock Exchange.

Ms. Ma holds a bachelor's degree of Commerce from the Australian National University and a master degree of Business Administration from the Chinese University of Hong Kong. She has been practicing as a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management

Mr. Lau Kwok Kee ("Mr. Lau"), aged 63, is our independent non-executive Director. He joined our Group in June 2017 and is a member in each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. Lau is a practicing solicitor in Hong Kong for over 30 years. He is currently a consultant with Messrs. Hau, Lau, Li and Yeung, a firm of solicitors and notaries in Hong Kong. He is also a director of Synergy Fund Management Group Limited, a licensed corporation with the Securities and Futures Commission.

Mr. Lau graduated with a Bachelor's Degree in Science from the University of Hong Kong in 1982 and later obtained a Bachelor's Degree in Laws from the University of London in 1985. He subsequently obtained a Postgraduate Certificate in Laws at the University of Hong Kong and a Diploma in Chinese Law from the University of East Asia Macau.

Ms. Qin Xuwen ("Ms. Qin"), aged 61, is our independent non-executive Director. She joined our Group in December 2019 and is a member in each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Ms. Qin has over fifteen years' experience in liquefied petroleum gas business, liquefied natural gas, financing and corporate management.

Ms. Qin was previously the senior vice president and East-China region general manager, the Nanjing Region general manager and Jiangsu Region general manager of China Resources Gas Group Limited (華潤燃氣控股有限公司). She was also the chief representative of China Resources (Holdings) Company Limited (華潤 (集團) 有限公司) in Jiangsu province.

Ms. Qin graduated from Jiangsu Broadcasting Television University (江蘇廣播電視大學) and obtained a Professional Qualification in Economy-Operating and Management of Industrial Enterprise (經濟類一工業企業經營管理).

COMPANY SECRETARY

Mr. Wong Lok Man ("Mr. Wong"), was appointed as company secretary of the Company (the "Company Secretary") on 24 June 2021. Mr. Wong obtained a Diploma of Business Administration from Sydney Institute of Business and Technology in 2003 and Bachelor of Commerce-Accounting from Macquarie University in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants with over 15 years of accounting and audit experience, including, among others, as the chief financial officer and company secretary of L & A International Holdings Limited (now known as Legendary Group Limited) (stock code: 8195) from September 2014 to May 2016 and as the group financial controller, joint company secretary and authorised representative of Kaisun Holdings Limited (stock code: 8203) from August 2020 to April 2021, the issued shares of both of which are listed on GEM of the Stock Exchange.

Mr. Wong was appointed as an independent non-executive director of China Financial International Investments Limited (stock code: 721) which is listed on main board of the Stock Exchange on 18 November 2020. Mr. Wong was also an independent non-executive director of China Trustful Group Limited (stock code: 8265) from December 2020 to November 2021 which was listed on GEM of the Stock Exchange and was delisted on 12 November 2021.

Corporate Governance Report

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. Various measures have been adopted to ensure that a high level of corporate governance is maintained throughout the operation of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To comply with all the new code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code"), relevant amendments and adoptions has been adopted by the Company for the Current Year. The Board will continue to review regularly and take appropriate actions to comply with the Corporate Governance Code.

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

COMPLIANCE WITH THE REQUIRED STANDARDS OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2022, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

BOARD OF DIRECTORS

As at 31 December 2022, the Board comprises four executive Directors and three independent non-executive Directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to enhance value to the shareholders. The composition of the Board and biographies of the Directors are set out on pages 16 to 18.

The four executive Directors are responsible for the leadership and control of the Company and oversee the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Save for that Ms. Lin is the spouse of Mr. Hu, each of the Directors has no relationship with other Directors.

The Company has arranged appropriate Directors' and officers' liability insurance cover for the Directors and officers of the Group. The Company reviews the extent of insurance coverage on an annual basis.

Corporate Governance Report

The Roles of the Executive Chairman and Chief Executive Officer

The Company has appointed Mr. Hu to be the executive Director and Executive Chairman of the Company in August 2015. Mr. Hu is responsible for the overall corporate development and strategic planning of the Group.

According to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. At present, Mr. Hu serves as the Executive Chairman. The Executive Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner while Mr. Chan serves as the CEO of the Group. The CEO is responsible for running the Group's business and the implementation of the approved strategies of the Group.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, the Board held 11 Board meetings and 1 general meeting. The Directors attended those meetings in person, by phone or through other electronic means of communication.

The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/ Number of meetings	
Name of Directors	**Board meeting**	**General meeting**
Executive Directors		
Mr. Hu Yishi *(Executive Chairman)*	11/11	1/1
Mr. Chan Wing Yuen, Hubert *(Chief Executive Officer)*	11/11	1/1
Ms. Lin Min, Mindy	11/11	1/1
Ms. Kwong Wai Man, Karina *(Chief Financial Officer)*	11/11	1/1
Independent non-executive Directors		
Ms. Ma Lee	11/11	1/1
Mr. Lau Kwok Kee	11/11	1/1
Ms. Qin Xuwen	11/11	1/1

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company Secretary and are available to all Directors.

Corporate Governance Report

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance. Code provision C.5.3 of the Corporate Governance Code stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meetings to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the Company Secretary and opened for inspection by the Directors.

The memorandum and articles of association of the Company (the "Articles of Association") contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Training and Support of Directors

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director. The relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to ensure Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

The individual training record of each Director received for the year ended 31 December 2022 is summarised as follows:

Name of Director	Types of Trainings
Executive Directors	
Mr. Hu Yishi	A, B
Mr. Chan Wing Yuen, Hubert	A, B
Ms. Lin Min, Mindy	A, B
Ms. Kwong Wai Man, Karina	A, B
Independent non-executive Directors	
Ms. Ma Lee	A, B
Mr. Lau Kwok Kee	A, B
Ms. Qin Xuwen	A, B

Corporate Governance Report

Type of trainings:

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, risk management, corporate governance and directors' duties and responsibilities

The Directors confirmed that they have complied with the code provision C.1.4 of the Corporate Governance Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge.

Independent non-executive Directors

One of the independent non-executive Directors has entered into a letter of appointment with the Company on 1 October 2014, one of the independent non-executive Directors have entered into a letter of appointment with the Company on 8 June 2017 and one of the independent non-executive Directors have entered into a letter of appointment with the Company on 2 December 2019, and shall continue thereafter unless terminated by not less than one month's notice in writing. Each of the independent non-executive Director is entitled to a Director's fee.

Independence

Pursuant to the Appendix 15 to the GEM Listing Rules, if an independent non-executive director has served more than nine years, his or her further appointment should be subject to a separate resolution to be approved by the shareholders of the Company.

The Nomination Committee and the Board considered that the independent non-executive Directors continue to provide a balanced and independent view to the Board. The independent non-executive Directors expressed objective views and have given independent guidance to the Company and have the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director. None of the independent non-executive Directors has any involvement in the daily management of the Group and in any circumstances which would materially interfere with their exercise of independent judgment. Independent non-executive Directors do not receive any equity-based remuneration with performance-related elements.

Mechanism To Ensure Independent Views And Input

The Board has established mechanism to ensure independent views and input are available to the Board. The Board comprises of three independent non-executive Directors out of seven Directors, representing more than one-third of the Board. All independent non-executive Directors have devoted sufficient time in addressing Company's business and affairs and provided independent judgements. The Chairman has held meeting with the independent non-executive Directors without the presence of other directors annually to listen independent views on issues concerning the Group. Independent professional advice would be provided to the independent non-executive Directors upon reasonable request to assist them to perform their duties to the Company.

The Nomination Committee and the Board has reviewed the implementation and the effectiveness of the board independence mechanism and considered it to be effective.

Corporate Governance Report

Corporate Governance Functions

The Board recognises that corporate governance should be the collective responsibility of the Directors, including but not limited to:

1. developing and reviewing the Company's policies and practices on corporate governance;

2. reviewing and monitoring the training and continuous professional development of the Directors and senior management;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors;

5. reviewing the Company's compliance with the Corporate Governance Code and disclosure in this annual report; and

6. continue monitoring, assessing and managing material environmental and social risks and disclosing environmental and social matters in Environmental, Social and Governance ("ESG") reports.

During the Current Year, the Board has reviewed and discussed the corporate governance practices and is satisfied with the effectiveness of the corporate governance practices.

Audit Committee

The Company has established the Audit Committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Audit Committee has three members comprising all the independent non-executive Directors, namely, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen.

The updated terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

All committee members possess appropriate industry and financial experience to advise on the Group's strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal audit functions, internal control systems, risk management matters and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and oversee independence and qualifications of the external auditor.

During the Current Year, 9 meetings were held and the attendance of each member is set out as follows:

Members of the Audit Committee	Number of attendance
Ms. Ma Lee	9/9
Mr. Lau Kwok Kee	9/9
Ms. Qin Xuwen	9/9

The following is a summary of work performed by the Audit Committee during the Current Year:

1. Reviewed the Group's quarterly, interim and annual results and corporate governance matters for inclusion in the Company's annual report and recommended them to the Board for review and approval;

2. Reviewed and discussed the Company's financial controls, internal audit function, internal control and risk management systems with management to ensure that management has performed its duty to have effective systems;

3. Reviewed with the management of the Company the accounting principles and practices adopted by the Group for the year ended 31 December 2022; and

4. Reviewed the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, their independence and objectivity and made recommendation to the Board on the re-appointment of RSM Hong Kong as the auditor of the Company.

Remuneration Committee

The Company has established the Remuneration Committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Remuneration Committee comprises one executive Director, namely, Ms. Lin Min, Mindy and three independent non-executive Directors, namely, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen. The Remuneration Committee is mainly responsible for making recommendations to the Board as to the policy and structure for the remuneration of the executive Directors and senior management, determining the specific remuneration packages of all the executive Directors and senior management, reviewing and approving performance based remuneration and compensation for loss or termination of office payable to executive Directors and senior management, ensuring no Director is involved in deciding his/her own remuneration, approving the service contracts of Directors and senior management and reviewing and/or approving matters relating to Share Schemes under Chapter 23 of the GEM Listing Rules.

The updated terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

During the Current Year, 3 meetings were held and the attendance of each member is set out as follows:

Members of the Remuneration Committee	Number of attendance
Ms. Ma Lee	3/3
Ms. Lin Min Mindy	3/3
Mr. Lau Kwok Kee	3/3
Ms. Qin Xuwen	3/3

The following is a summary of work performed by the Remuneration Committee during the Current Year:

1. Reviewed the policy for the remuneration of the executive Directors;

2. Assessed performance of the executive Directors; and

3. Made recommendations to the Board on the remuneration packages of individual Directors and senior management.

Nomination Committee

The Company has established the Nomination Committee on 12 November 2011 with written terms of reference in compliance with the GEM Listing Rules. The current Nomination Committee comprises one executive Director namely, Ms. Lin Min, Mindy and three independent non-executive Directors, namely, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and succession planning of the Directors.

The updated terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

During the Current Year, 1 meeting was held and the attendance of each member is set out as follows:

Members of the Nomination Committee	Number of attendance
Ms. Ma Lee	1/1
Ms. Lin Min Mindy	1/1
Mr. Lau Kwok Kee	1/1
Ms. Qin Xuwen	1/1

The following is a summary of work performed by the Nomination Committee during the Current Year:

1. Reviewed the policy for the nomination of Directors;

2. Reviewed the nomination procedures, the process and criteria to select and recommend candidates for directorship;

3. Reviewed the structure, size and composition of the Board;

4. Recommended to the Board the appointment of and the re-appointment of executive Directors and independent non-executive Directors;

5. Reviewed the independence of independent non-executive Directors; and

6. Reviewed the Board Diversity Policy to achieve a more balanced and diverse Board composition.

Board Nomination Policy

The Company has adopted a nomination policy (the "Board Nomination Policy") for the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. In selecting and recommending candidates for directorship to the Board, the Nomination Committee would consider various aspects such as candidate's qualification, time commitment to the Company and contributions that will bring to the Board as well as factors concerning the Board diversity as set out in the Company's Board Diversity Policy, before making recommendation to the Board on the appointment of Directors. The Nomination Committee will review the Board Nomination Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") effective on 1 September 2013 which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy.

As at the date of this report, the Board comprises four female Directors and three male Directors. The Board considers that the gender diversity in respect of the Board is satisfactory and will continue to maintain a diverse Board. The Nomination Committee will select appropriate candidates through multiple channels and make recommendation to the Board based on the Company's Board Diversity Policy and Board Nomination Policy. Such objectives will be reviewed from time to time to ensure their appropriateness. The Nomination Committee and the Board will review the Board Diversity Policy annually to ensure its continued effectiveness.

Workforce Diversity

The Company also considers relevant factors in the recruitment and selection of key management and other personnel, and strives to maintain gender diversity. As at 31 December 2022, the male and female of all staff (including the senior management) of the Company accounted 61% and 39% respectively. We will continue to maintain gender diversity among all our staff as the goal and review our policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

COMPANY SECRETARY

Mr. Wong Lok Man was appointed as the Company Secretary on 24 June 2021. Mr. Wong reports to the Board directly and ensures that the Board procedures, applicable law, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of Directors. According to the Rule 5.15 of the GEM Listing Rules, Mr. Wong has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2022. The Company Secretary's biography is set out in the "Biographical Details of Directors and Senior Management".

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of quarterly, interim and annual reports, price-sensitive announcements and other disclosures required by the GEM Listing Rules and other regulatory requirements.

The Directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. Having made appropriate enquiries, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on the assumption that the Group will continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 50 to 55.

CHANGE OF AUDITOR

Deloitte Touche Tohmatsu has resigned as the external auditor of the Company with effect from 29 December 2020 and RSM Hong Kong has been appointed as the external auditor of the Company with effect from 31 December 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu.

Details of the above change of auditor can be referred to the Company's announcement published on the website of the Stock Exchange and of the Company on 31 December 2020.

Saved as disclosed above, there has been no other change in auditor of the Company in the past three years.

AUDITOR'S REMUNERATION

Analysis of remuneration in respect of audit and non-audit service provided by the external auditor of the Group, RSM Hong Kong, for the year ended 31 December 2022 is as follows:

Nature of services	**Amount** RMB'000
Audit services	867.4

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to maintain effective risk management and internal control systems in order to protect the overall interests of the Company and its shareholders. However, the systems are designed to manage but not eliminate all risks of failure to achieve business objectives. It does not provide an absolute shield against unpredictable risks and uncontrollable events such as natural catastrophes, fraud, and errors of judgement. It can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established an Enterprise Risk Management (the "ERM") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

RISK MANAGEMENT STRUCTURE

Board

As a body in charge of the Group's risk management and internal control systems, the Board is responsible for setting up the clear ERM framework and risk management policies, the purposes of which are to assess and evaluate the business strategies of the Group and its degree of risk tolerance. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, as well as conducting review at least once a year as to its effectiveness.

Audit Committee

As the highest body, second only to the Board, being responsible for the risk management and internal control systems, the Audit Committee provides advices and supports to the Board in respect of all risk-related matters, including monitoring the implementation of the overall risk management procedures of the Group, conducting review on the risk register of the Group, review and approve the internal control review plan and its results.

Management

The management of the Group is responsible for identifying and continuous monitoring of the Group's exposure to risks in relation to strategy, operation, finance, reporting and compliance during the daily operations of the Group. It reports to the Board and the Audit Committee regarding the risks and their changes, formulates a set of internal control measures to mitigate the risks, collects through various channels the deficiencies of the internal control system and conducts rectifications in a timely manner.

Internal Audit Function

The Group has put in place the internal audit function. Annual review on the effectiveness of the risk management procedures of the Group will be conducted by the management and the Audit Committee, and professional internal control advisers may be consulted if necessary. The plan of internal control review will be submitted to the Audit Committee for review and approval, and the person in charge of the internal control review will also report the review results to the Audit Committee.

RISK MANAGEMENT PROCESS

The ERM framework has been set up by the Group so as to manage the Group's risk exposures in an effective manner. The framework defines the procedures to identify, evaluate, response and monitor risks (including ESG risks) and any change thereof. Through periodic internal discussion, the risk management knowledge of different departments will be enriched, which enables better understanding and timely reporting of risks by all staff, thereby strengthening the Group's risk management capability.

When identifying risks (including ESG risks), the management will communicate with different operational departments and collect information of significant risk factors in various aspects such as strategy, operations and finance, reporting and compliance in a bottom up approach. Upon specifying areas of risk assessment, the management will evaluate the importance of risks based on their potential impact and the possibility of occurrence and set up internal control measures to mitigate the risks. On-going monitoring and reporting of any change of risks will also be conducted.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Maintaining an effective internal control system (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;
- Code of conducts have been formulated to promote integrity and ethical conducts to the staff;
- Whistleblowing system is set up to encourage employees to report any misconduct or fraud;
- Appropriate IT system access restrictions have been set to avoid disclosure of price sensitive information;
- Policies regarding inside information disclosure are established, which involve reporting channels. The person in charge of the information disclosure will be responsible for answering external enquiries and seek consultation from professional financial consultants or the Stock Exchange when necessary.

During the Current Year, the Board had reviewed the effectiveness of the internal control policies and procedures, including the procedures regarding financial reporting and those as stipulated under the Listing Rules. When carrying out review on the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, trainings to be provided to the staff and the relevant budget.

Ongoing monitoring of risks (Risk management level)

Based on the ERM framework and risk management policies as formulated by the Board, the management will communicate with different operational departments and collect information of significant risk factors which will affect the Group in a bottom up approach and consistently monitor changes in risks. Risks (including ESG risks) which has been identified will be recorded in a risk register. Regular assessment will be carried out on the potential impact to the Group and the possibility of occurrence of each major risk so as to lay down relevant internal control measures.

During the Current Year, the management had reviewed risk management structure and procedures and had submitted to the Board and the Audit Committee a risk assessment report and a 3-year plan of internal control review, so that the Board and the Audit Committee can enable effective monitoring of the Group's major risk and better understanding of how the management handle and mitigate the risks.

Independent review

The internal audit team of the Group is comprised of the persons who are not responsible for areas under the review. The list of review team and scope of review have been approved by the Audit Committee. The team conducts independent review on risk management and internal control systems of the Group so as to assess the effectiveness. A report of internal control review is submitted to the Audit Committee.

During the Current Year, the internal audit team had completed review on internal control for the year, period of reviews covered transactions carried out from 1 January 2022 to 31 December 2022. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had report the review results to the Audit Committee.

Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

WHISTLEBLOWING POLICY AND ANTI-CORRUPTION POLICY

The Company has established whistleblowing policy which enhance the awareness of corporate governance and it constitutes an important part of the effective internal control and risk management system. It provides employees or relevant third parties with reporting channels and guidance on whistleblowing about possible improprieties in any matter related to the Company.

The Group adopts a zero-tolerance approach to any unethical behaviour such as bribery, extortion, fraud and money laundering, and actively strengthens the Group's culture of integrity and maintains a fair and ethical business and working environment. The Company has established anti-corruption policy to uphold high standards of integrity, honesty and transparency in all its business dealings.

THE GROUP'S MAJOR RISKS AND THEIR CHANGES

The Group's major risks and the changes thereof are set out as follows:

Risk	Description	Internal control measures	Changes
Market Competition	With the continuous advancement of the "X+1+X" natural gas marketization reform in Mainland China, the diversified channel supply of upstream resources has been formed. The development of centralized transportation at the intermediate unified pipeline facilitates fierce competition and price fluctuations in the downstream LNG sales market, resulting in a decrease in gross profit margin.	• The Group seeks opportunities to expand its New Energy Business to other regions in the north and the Yangtze River Delta in order to pursue business growth and mitigate risks. • The Company keeps abreast of market trends, works closely with upstream gas sources, and uses the changes in LNG prices in different seasons to reduce the economic impact arising from the rise in supply.	Unchanged
Government Policy Changes	Mainland China's 14th Five-Year Plan and the 20th National Congress emphasize national energy decarbonization and security strategies. Energy security is essential in the change and development of oil and gas. The government will coordinate the promotion of national underground gas storage facilities, LNG terminals, and other gas storage facilities construction to improve the peak shaving level of the natural gas pipeline network during the heating season to guarantee the supply. China successively promulgates and publishes a series of policies and plans to promote the continuous and steady growth of the natural gas industry. Still, at the same time, the relevant guidelines and regulations will be gradually tightened to improve the overall planning and supporting facilities, which may increase our business operating costs.	• The management will keep abreast of policy developments and adjust the Group's business strategies in a timely manner. • To expand types of service provided by the Group to diversify risk. • Improve sales structure analysis in advance, strengthen the continuous optimization of customer structure, and enhance LNG sales.	Unchanged

Risk	Description	Internal control measures	Changes
COVID-19 Pandemic	The number of COVID-19 cases reached a record high in 2022 in Mainland China. Affected by the city lockdown policies adopted in some regions, the demand for LNG products in Tianjin and Shanghai, where the Group's main business is located, has dropped sharply, which has also led to restrictions on project consultations and meetings with our clients. The COVID-19 pandemic may also put the health of the Group's employees at risk, which will have a negative impact on the Group's business environment and regular business operations.	• The management closely follows the news, information, and policies and continue to assess the impact of COVID-19 on the Group's future finances and operations and adjust the Group's business strategies, pandemic prevention measures, and work arrangements in a timely manner. • Arrange partial audit activities, client meetings, contractual negotiations, etc. by teleconference or video conference as appropriate. • Strengthen office cleaning, develop pandemic prevention measures, flexibly arrange employees' working hours and work from home, and temporary closure of some offices in Mainland China.	Increase
Health and Safety	The Company's business involves LNG, and improper safety management in the course of operation may lead to serious safety accidents and losses, which in turn will affect the Group's operating performance. Under the state's advocacy to optimize the planning and construction of gas storage facilities, the natural gas pipeline network in various places will undergo stricter and more comprehensive safety supervision. It may propose intelligent upgrades and legislative regulations for gas station safety management in the future, which may further increase the Group's operating costs.	• The Company's operations and onsite operation strictly comply with national regulations on hazardous chemicals and the relevant operational practices of the Group. • Strengthen the maintenance and management of equipment and facilities, enhance the management level of equipment, and ensure the integrity rate of the equipment. Employ qualified professionals and improve safety awareness among employees through training. • Timely warning of abnormal conditions through the self-control monitoring system to ensure a 100% monitoring rate of significant production operations. • Compile the Emergency Plan and continuously improve the team's business capabilities at all levels, such as dispatching operations, onsite operations, line patrol, repair, and maintenance.	Increase

Risk	Description	Internal control measures	Changes
Environmental Protection	For the main business, if the Company fails to comply with the regulations and policies issued by China's local environmental protection bureau and other regulatory agencies, it may cause the environmental protection bureau to shut down relevant illegal businesses until the completion of rectification and impose administrative penalties. The Company is required to pay the corresponding taxes based on its taxable pollutants, waste, and noise. If the Company does not have related energy conservation and emission reduction measures, the Company may be subject to a high environmental protection tax.	• The Company complies with the regulatory policies of local regulatory authorities and conducts internal inspections from time to time to reduce the possibility of violating laws and regulations. • Establish environmental protection norms according to the company's project, organized by management and complied with by all employees; set up environmental key performance indicators within the project, and the participants in the project complete the performance indicators.	Unchanged
Supply Chain	Insufficient natural gas supply due to surges in demand in winter may impact services such as coal-to-natural gas, gas supply, heating, and more. Weak regulation of subsuppliers may impact the Company's direct suppliers and affect the Company's business. If the Group relies too much on a small number of major suppliers, the risk of supply chain disruption and difficulty of controlling the purchase of LNG prices may increase. In the procurement process in close cooperation with other LNG suppliers, the Group may incur additional costs due to specifications such as pipeline natural gas transportation and quality inspection, which may adversely affect our business.	• A stringent assessment will be conducted when choosing suppliers and contractors. • Terms of outsourcing contracts will be reviewed by project managers and internal or external legal professionals to ensure clearly defined responsibilities of each party. • Person in charge of the project will conduct an onsite inspection to examine the quality and performance of suppliers and contractors to ensure that their products and services are up to the standards of the Group. • Look for a number of stable LNG suppliers to avoid monopolizing the supply chain of the Company. • Make reasonable forecasts for future sales volumes, reserve LNG in advance based on expected sales volumes, and reserve them in seasons with lower prices to cope with sudden price and supply fluctuations. • Stabilize supply chain volume and price by, among others, seeking temporary solutions for the supply chain and seeking to sign a supply agreement. • Cooperate with the Company's direct suppliers and effectively supervise subsuppliers to reduce the impact of subsuppliers on the business.	Unchanged

Risk	Description	Internal control measures	Changes
Human Resources	Consider the Group fails to attract, develop or retain sufficient key professionals (such as management personnel, project engineers, chief engineers, etc.) and simultaneously fails to implement appropriate training programs. In that case, it may affect the regular operation or quality of the Group or fail to support the Group development plan.	• Maintain a healthy and positive working environment. • Regular review of employee benefits. • Conduct workforce planning to replenish sufficient staff as soon as possible. • Develop an appropriate employee training plan to ensure that employees meet the needs of business operations and regulations.	Increase
Exchange Rate	The Group has assets and liabilities denominated in Hong Kong dollars and RMB; any fluctuation in the exchange rate may cause loss from currency exchange to the Company.	• Risk of exchange rate will be monitored on a regular basis, and relevant response measures will be formulated. • Sensitive analysis will be conducted to quantify the risk regularly.	Unchanged
Credit Risk	In view of the instability of the COVID-19 pandemic, the Group's customers are facing financial difficulties and cash flow constraints, and are slowing down repayments.	• Each business unit manages customer credit risk in accordance with the policies, procedures, and monitoring mechanisms related to customer credit risk management formulated by the Group. • To minimize the credit risk of trade receivables, the Group's management has assigned a team to be responsible for the credit lines, credit approvals, and other monitoring procedures to ensure follow-up action on the recovery of overdue debts and to closely monitor the situation of each customer, conducting regular credit surveys on an annual basis and conducting individual credit assessments for all customers exceeding a specific credit limit. • In addition, the Group's management reviewed the recoverable amount of each individual debt at the end of the reporting period to ensure that sufficient provision for impairment losses was made for the non-recoverable amount of trade receivables, and we also increased the staff of the collection team to ensure a smooth collection process. • The Group applies a simplified method to make provisions for expected credit losses under IFRS 9.	Unchanged

Risk	Description	Internal control measures	Changes
Climate Change	Abnormal weather, such as extreme heat, extreme cold, and heavy rain, is likely to cause different degrees of wear and tear or damage the gas station's infrastructure (e.g., transportation pipelines). Consequently, we will face the risk of safety accidents and increased maintenance costs. Frequent extreme weather also has a negative impact on the commuting of the Group's employees.	• Regularly conduct safety inspections and rectifications for gas station facilities and ensure the safety of the entire business operation by formulating operational procedures and employee work guidelines for responding to extreme weather in the emergency plan. • In the future, research will be undertaken to strengthen the resilience of the supply chain to climate change and further identify the physical and transition risks of climate change to the Group.	Unchanged

CONSTITUTIONAL DOCUMENTS

The shareholders of the Company have approved and adopted the amended and restated memorandum of association and articles of association of the Company at the annual general meeting of the Company held on 23 June 2022, for the purposes of, among others, (i) conform to the core standards for shareholder protections and to incorporate certain housekeeping changes; and (ii) allow general meetings of the Company to be held as an electronic meeting or a hybrid meeting; to in line with the amendments made to the applicable laws of the Cayman Islands and the GEM Listing Rules. The new memorandum of association and articles of association of the Company is available on both the websites of the Stock Exchange and the Company.

Saved as disclosed above, there has been no other significant changes in the constitutional documents of the Company during the Current Year.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposal

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders are requested to follow article 58 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director

Procedures for shareholders proposing a person for election as a Director are as follows:

A. *in the event where no notice of general meeting regarding election of Director has been despatched*

1. Shareholder(s) can by written requisition to the Board or the secretary of the Company to require an extraordinary general meeting be called by the Board for the transaction of any business or resolution specified in such requisition. To raise such requisition, the shareholder(s) must have held at the date of deposit of such requisition not less than one-tenth of the paid up capital of the Company carrying right to vote at general meetings of the Company (article 58 of the Articles of Association).

2. The meeting so requisitioned shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company (article 58 of the Articles of Association).

B. *in the event where notice of meeting has already been despatched for a general meeting regarding election of Director*

1. In order to propose the appointment of a new Director (other than a Director retiring at the already appointed general meeting who has been recommended by the Board to stand for re-election at such general meeting) at the already appointed meeting, a shareholder (other than the person to be proposed) shall sign a written notice (the "Shareholder Notice") for which such notice is given of his intention to propose such person for election (article 85 of the Articles of Association).

2. The proposed Director shall also sign a written notice (the "Director Notice", together with the Shareholder Notice, the "Notices") of his willingness to be elected (article 85 of the Articles of Association). The nominating shareholder or the proposed Director shall also provide particulars (as stipulated in Rule 17.50(2) of the GEM Listing Rules) of the proposed Director (Rule 17.46B of the GEM Listing Rules).

3. The Notices shall have been lodged at the registered office of the Company or at the head office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the already appointed general meeting and end no later than seven (7) days prior to the date of such already appointed general meeting (article 85 of the Articles of Association). If the Notices are received less than twelve (12) business days prior to the general meeting, the Company may need to consider the adjournment of such general meeting in order to allow the shareholders ten (10) business days to consider the proposal (Rule 17.46B of the GEM Listing Rules).

Procedures for Sending Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The Company reviewed the implementation and effectiveness of the shareholders communication policy and considered it to be effective.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "AGM") of the Company is expected to be held on or before 30 June 2023. A notice convening the AGM will be issued and despatched to the shareholders of the Company as soon as practicable in accordance with the Articles of Association and the Corporate Governance Code.

Report of the Directors

The Board hereby presents its report and the audited financial statements of the Group for the Current Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in

(1) New Energy Business; and

(2) Property Investments.

RESULTS

The Group's loss for the financial year ended 31 December 2022 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 56 to 118.

BUSINESS REVIEW

The business review and future development in the Company's business for the year ended 31 December 2022 are set out in the section headed "Management Discussion and Analysis" on pages 7 to 15.

The description of the principal risks and uncertainties facing the Company are set out in the section headed "The Group's Major Risks and Their Changes" on pages 31 to 35.

The analysis using financial key performance indicators are set out in the section headed "Financial Highlights" on pages 5 to 6.

Environmental Policies and Performance

The Group adheres to the concept of sustainable development and actively responds to national policies, and strives to promote the use of "coal-to-natural gas conversion" and extensive use of natural gas, such that more people can be benefited from this clean energy and help the Company reduce air pollutants and greenhouse gas emissions. The ESG Regulations formulated by the Group will cover the policies on emissions management and use of resources, and clarify the commitments to reduce the impact on the environment and natural resources. The laws and regulations relating to environmental protection of the Group includes the Environmental Protection Law of the PRC. During the Current Year, the Group did not have any incidents of non-compliance with relevant environmental laws or regulations that have a significant impact on the Group relating to environmental issues.

For further details on environmental performance of the Group during the Current Year, please refer to our environmental, social and governance report published on the website of the Company and the Stock Exchange.

Environmental, Social and Governance Report

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

Report of the Directors

Pursuant to Rule 17.103 of the GEM Listing Rules, an ESG Report of the Company for the Current Year in compliance with the provisions set out in the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules published on the Stock Exchange's website and the Company's website at the same time as the publication of this report.

Compliance with the Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with such requirements. During the Current Year and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

Key Relationships with Employees, Customers and Suppliers

The Group believes that employees are a key element to the success of its business. The Group aims to continue establishing a caring environment to employees and emphasis the personal development of its employees. The Group maintains a good relationship with our customers and suppliers, and will continue providing products or services with good quality.

DIVIDEND AND POLICY

The Board has always put the interest of our shareholders in mind and laid down a long-term dividend policy (the "Dividend Policy") that targets to propose to distribute dividend on a continuous basis, when the business conditions of the Company are satisfactory and our business is profitable, and subject to the conditions of this policy, so that our shareholders can share the fruitful success of our business as and when appropriate. Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. When considering dividend declaration or recommendation, the Board shall take into account various factors including but not limited to the Group's business condition and strategy, capital requirement; and earnings, financial and cash flow position, and distributable reserves of the Company and the Group.

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

SEGMENT INFORMATION

Details of the segment information of the Group are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Current Year, the five largest customers of the Group accounted for 100% (Previous Year: 99.8%) of the turnover of the Group and the largest customer of the Group accounted for about 92.5% (Previous Year: 44.9%) of the total turnover.

The five largest suppliers of the Group accounted for 99.9% (Previous Year: 100%) of the Group's total purchases for the Current Year and the largest supplier accounted for 93.5% (Previous Year: 59.3%) of the Group's total purchases.

So far as is known to the Directors, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of the movements in property, plant and equipment and investment property of the Group are set out in notes 20 and 21 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

DEBENTURE ISSUED

Save for the Convertible Bonds, the Group did not issue any debenture during the year ended 31 December 2022.

RESERVES

Reserves of the Company available for distribution to equity shareholders of the Company as at 31 December 2022 amounted to approximately RMB109.8 million (2021: approximately RMB115.0 million). Movements in the reserves of the Group during the Current Year are set out in the consolidated statement of changes in equity on page 58.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in note 23 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

BANK BORROWINGS

The Group did not have any outstanding bank loans and other borrowings and no banking facilities as at 31 December 2022 (2021: Nil).

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 December 2022 (2021: Nil).

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes are set out in note 16(a) to the consolidated financial statements.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the results of the Group for the past five financial years is set out on page 119.

DIRECTORS

The Directors during the Current Year and up to the date of this annual report were as follows:

Executive Directors:

Mr. Hu Yishi *(Executive Chairman)*
Mr. Chan Wing Yuen, Hubert *(CEO)*
Ms. Lin Min, Mindy
Ms. Kwong Wai Man, Karina *(CFO)*

Independent non-executive Directors:

Ms. Ma Lee
Mr. Lau Kwok Kee
Ms. Qin Xuwen

According to the article 84(1) of the Article of Association, Ms. Kwong Wai Man, Karina, the executive Director, and Ms. Ma Lee and Mr. Lau Kwok Kee, both the independent non-executive Directors, will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Director is entitled to a Director's fee, and is also entitled to a discretionary management bonus by reference to the consolidated net profits of the Group after taxation and non-controlling interest but before extraordinary items as the Remuneration Committee may approve, provide that the relevant executive Director shall abstain from voting and not counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him/her.

One of the independent non-executive Director has entered into a letter of appointment with the Company on 2 December 2019, will retire and will offer himself/herself for re-election at the forthcoming AGM and shall continue thereafter unless terminated by not less than one month's notice in writing. Each of the independent non-executive Directors is entitled to a Director's fee.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 18.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from all three existing independent non-executive Directors pursuant to the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this annual report.

EMOLUMENTS POLICY

All emoluments of the Directors are determined and approved by the Remuneration Committee with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each Director may also receive a year end bonus in respect of each financial year. The amount of such bonus will be determined by the Remuneration Committee.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out below in the section "Share option scheme".

Details of the emoluments of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in notes 17 and 16(b) to the consolidated financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme is valid and effective for a period of 10 years commencing on 12 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees and consultants of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1.00. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any share issued upon the exercise of option granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company granted 28,000,000 share options to the Company's Directors, employees and consultants at the exercise price of HK$0.81 per option (i.e. 224,000,000 share options with the exercise price of HK$0.10125 each after the share subdivision on 20 May 2016). During the year 2017, the Company granted 343,536,000 share options to the Company's Directors, employees and consultants at the exercise price of HK$0.289 per option. As at 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (31 December 2021: 212,480,000), representing 5.8% (31 December 2021: 5.8%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/forfeited during the Current Year and outstanding as at 31 December 2022 are as follows:

	Number of share options							
	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2022	Exercise period	Exercise price HK$	Closing price immediately before the date of grant HK$
Directors								
Mr. Hu Yishi	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28

	Number of share options							
	At 1 January 2022	Granted during the year	Exercised during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2022	Exercise period	Exercise price HK$	Closing price immediately before the date of grant HK$
Mr. Lau Kwok Kee	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	**92,832,000**	**–**	**–**	**–**	**92,832,000**			
Employees	22,776,000	–	–	–	22,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	27,776,000	–	–	–	27,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	39,216,000	–	–	–	39,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	**89,768,000**	**–**	**–**	**–**	**89,768,000**			
Consultants	1,664,000	–	–	–	1,664,000	9 June 2019 to 9 June 2024	0.289	0.28
	28,216,000	–	–	–	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	**29,880,000**	**–**	**–**	**–**	**29,880,000**			
Total All Categories	**212,480,000**	**–**	**–**	**–**	**212,480,000**			
Exercisable at the end of the year					**212,480,000**			

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary shares of HK$0.00125 each of the Company

Name of Director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Hu Yishi	1	Interest of controlled corporation	547,184,000	14.92%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	493,456,000	13.46%
Mr. Chan Wing Yuen, Hubert		Beneficial owner	22,400,000	0.61%
Ms. Kwong Wai Man, Karina		Beneficial owner	22,400,000	0.61%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

Notes:

1. Mr. Hu Yishi ("Mr. Hu") is deemed to be interested in 448,000,000 shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Century Investment Holdings Limited ("Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu. Mr. Hu is also deemed to be interested in 99,184,000 shares held by Front Riches Investments Limited, a company which is 100% controlled by Mr. Hu.

2. Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 23,056,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin. Ms. Lin also interested in 22,400,000 shares which beneficially owned by herself.

Long position in the underlying shares of equity derivatives of the Company

Name of Director	Nature of Interest	Number of underlying shares (Note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	34,344,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	34,344,000
Ms. Ma Lee	Beneficial owner	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note: The outstanding share options 92,832,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK$0.289 per option share. The details of outstanding share options are shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the Current Year, the Directors were not aware of any business or interest of the Directors, the management shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group or any other conflict of interest which any such person has or may have with the Group.

DEED OF NON-COMPETITION

The deed of non-competition was no longer applied for both of the Current Year and the Previous Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position in ordinary shares and underlying shares of the Company

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited (Note 1)	Beneficial owner	640,000,000	–	17.45%
Mr. Song Zhi Cheng (Note 2)	Interest of controlled corporation	640,000,000	–	17.45%
Smart Lane Global Limited (Note 3)	Beneficial owner	448,000,000	–	12.22%
Uprise Global Investments Limited (Note 4)	Beneficial owner	448,000,000	–	12.22%
Blossom Merit Limited (Note 5)	Beneficial owner	219,112,000	–	5.98%
Mr. Chan Tai Neng (Note 6)	Interest of controlled corporation	219,112,000	–	5.98%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.

2. Mr. Song Zhi Cheng is deemed to be interested in 640,000,000 shares through his interest in Depot Up Limited.

3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu, an executive Director and Executive Chairman.

4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin, an executive Director.

5. Blossom Merit Limited, a company incorporated in the British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively as at the 30 September 2017.

6. Mr. Chan Tai Neng is deemed to be interested in 219,112,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung (both being former executive Directors).

During the Current Year, there was no debt securities issued by the Group and the Company at any time.

Saved as disclosed above, as at 31 December 2022, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Current Year, all other transactions as set out in note 36 of the consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms and, if constituted connected transactions or continuing connected transactions, are exempt from the relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Related Party Transactions and Connected Transactions" in this report of the Directors, no transactions, arrangements or contracts of significance, to which the Company, its holding company, fellow subsidiaries or its subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Current Year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

Principle corporate governance practices as adopted by the Company are set out in the corporate governance report section set out on pages 19 to 37.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this annual report, the Company has maintained sufficient public float as required by the GEM Listing Rules since the listing of the shares of the Company on the GEM.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands where the Company is incorporated.

AUDITOR

The financial statements of the Group for the year ended 31 December 2021 and 2022 have been audited by RSM Hong Kong.

RSM Hong Kong retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Hong Kong as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Chan Wing Yuen, Hubert
Chief Executive Officer

Hong Kong, 24 March 2023

Independent Auditor's Report

RSM Hong Kong

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TO THE SHAREHOLDERS OF ZHONGHUA GAS HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zhonghua Gas Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 118, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "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 HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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 opinion.

Material uncertainty relating to the going concern basis

We draw attention to note 2 to the financial statements which mentions that the Group incurred a net loss of RMB3,739,000 during the year ended 31 December 2022. In addition, the Group has a financial obligation of RMB85,096,000 that is repayable within the next twelve months, however the available cash and cash equivalents as of 31 December 2022 only maintained at RMB38,752,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of property, plant and equipment, and right-of-use assets of a cash-generating unit engaging in the sales of liquefied natural gas in Tianjin	
As at 31 December 2022, included in the Group's consolidated statement of financial position were property, plant and equipment of RMB36,214,000 and right-of-use assets of RMB1,192,000 which were attributable to a cash-generating unit ("CGU") engaging in the sales of liquefied natural gas ("LNG") in Tianjin. The Group incurred a loss in the sales of LNG in Tianjin for the year ended 31 December 2022 which indicated the CGU assets might be impaired. Management estimated the recoverable amount of the CGU based on its value in use estimated by discounting the CGU's projected future cash flows using an appropriate market rate. No impairment loss was recognised on property, plant and equipment, and right-of-use assets for the year ended 31 December 2022. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating the long-term revenue growth rates and the discount rates applied. We identified assessing the potential impairment of property, plant and equipment, and right-of-use assets as a key audit matter because the impairment assessment prepared by management is complex and contains judgmental assumptions, particularly the long-term revenue growth rates and discount rates applied, which could be subject to management bias in their selection.	Our procedures included: • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; • Understanding and evaluating key internal controls over the Group's impairment assessment of property, plant and equipment and right-of-use assets; • Evaluating the outcome of the prior period assessment of the impairment of property, plant and equipment and right-of-use assets to assess the effectiveness of management's estimation process; • Assessing the methodology applied by management in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards; • Evaluating the discounted cash flow forecast prepared by management by comparing specific data and significant assumptions in the discounted cash flow forecast with the financial budget which was approved by the board of directors. Our evaluation has taken into account our understanding of the Group's future business plans and the relevant industry sector; and • Assessing the appropriateness of the discount rate applied in the discounted cash flow forecast by reference to companies in the relevant industry sector with the assistance of our in-house valuation specialist.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables We identified the impairment of trade receivables as a key audit matter due to the significant management estimation and judgement required in determining the expected credit losses. As described in note 6(b)(iv) to the consolidated financial statements, the impairment of trade receivables is considered a key source of estimation uncertainty. Details of allowance of impairment on trade receivables are disclosed in notes 7(b) and 24 to the consolidated financial statements.	Our procedures included: • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; • Understanding and evaluating key internal controls over the Group's impairment assessment of trade receivables; • Evaluating the outcome of the prior period assessment of the impairment of trade receivables to assess the effectiveness of management's estimation process; • Assessing the external valuer's qualification, experience and expertise, and considering its objectivity and independence; • Assessing whether trade receivables were appropriately grouped by the management into categories with shared credit risk characteristics; • Testing on a sample basis the accuracy and completeness of the data used by the management to develop historical loss rates and assessing the sufficiency, relevance and reliability of that data; • Testing on a sample basis the aging of trade receivables; and • With the assistance of our in-house valuation specialists: (i) assessing the appropriateness of the impairment model used by the Group; (ii) assessing the appropriateness of forward-looking adjustments to historical loss rates; (iii) testing the calculation of historical loss rates; and (iv) testing the calculation of the expected credit loss provisions.

Other information

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the Company's 2022 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threat or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Kwok Keung.

RSM Hong Kong
Certified Public Accountants

Hong Kong
24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Revenue	9	**200,529**	420,656
Cost of sales		**(208,478)**	(427,685)
Gross loss		**(7,949)**	(7,029)
Other income	10	**9,574**	9,311
Other (losses)/gains	11	**(10,192)**	9,237
Reversal of allowance/(allowance of impairment) on trade receivables		**29,394**	(195,398)
Administrative expenses		**(24,297)**	(25,397)
Loss from operations		**(3,470)**	(209,276)
Finance costs	12	**(225)**	(314)
Loss before tax		**(3,695)**	(209,590)
Income tax expense	14	**(44)**	(3,995)
Loss and total comprehensive income for the year	15	**(3,739)**	(213,585)
Attributable to:			
Owners of the Company		**(5,254)**	(191,311)
Non-controlling interests		**1,515**	(22,274)
		(3,739)	(213,585)
Loss per share attributable to owners of the Company			
Basic and diluted	19	**RMB(0.001)**	RMB(0.053)

Consolidated Statement of Financial Position

At 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	20	**44,002**	50,593
Investment properties	21	**3,780**	9,910
Right-of-use assets	22	**2,804**	5,693
Deposits		**410**	707
		50,996	66,903
Current assets			
Trade and other receivables	24	**256,981**	231,250
Cash and cash equivalents	25	**38,752**	60,769
Total current assets		**295,733**	292,019
TOTAL ASSETS		**346,729**	358,922
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**3,724**	3,724
Reserves	28	**106,065**	111,319
		109,789	115,043
Non-controlling interests		**33,164**	29,649
		142,953	144,692
LIABILITIES			
Non-current liabilities			
Lease liabilities	29	**1,090**	2,905
Convertible bonds	30	**—**	78,796
		1,090	81,701
Current liabilities			
Trade and other payables	32	**114,403**	127,966
Contract liabilities		**—**	289
Convertible bonds	30	**85,096**	—
Lease liabilities	29	**1,815**	2,921
Income tax payables		**1,372**	1,353
Total current liabilities		**202,686**	132,529
TOTAL LIABILITIES		**203,776**	214,230
TOTAL EQUITY AND LIABILITIES		**346,729**	358,922

Approved by the board of directors on 24 March 2023 and are signed on its behalf by:

Hu Yishi *Director*	**Chan Wing Yuen, Hubert** *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company						
	Share Capital (Note 26) RMB'000	Share premium (Note 28) RMB'000	Share option reserve (Note 28) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests (Note 23) RMB'000	Total equity RMB'000
At 1 January 2021	3,678	50,935	23,998	224,015	302,626	51,923	354,549
Total comprehensive income for the year	–	–	–	(191,311)	(191,311)	(22,274)	(213,585)
Exercise of share options	46	6,140	(2,458)	–	3,728	–	3,728
Changes in equity for the year	46	6,140	(2,458)	(191,311)	(187,583)	(22,274)	(209,857)
At 31 December 2021	3,724	57,075	21,540	32,704	115,043	29,649	144,692
At 1 January 2022	**3,724**	**57,075**	**21,540**	**32,704**	**115,043**	**29,649**	**144,692**
Total comprehensive income for the year	**–**	**–**	**–**	**(5,254)**	**(5,254)**	**1,515**	**(3,739)**
Capital contribution from non-controlling interest of a subsidiary	**–**	**–**	**–**	**–**	**–**	**2,000**	**2,000**
Changes in equity for the year	**–**	**–**	**–**	**(5,254)**	**(5,254)**	**3,515**	**(1,739)**
At 31 December 2022	**3,724**	**57,075**	**21,540**	**27,450**	**109,789**	**33,164**	**142,953**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,695)**	(209,590)
Adjustments for:			
Depreciation of:			
— property, plant and equipment	20	**11,661**	11,649
— right-of-use assets	22	**2,889**	3,190
Finance costs		**225**	314
Loss/(gain) on disposals of:			
— property, plant and equipment		**43**	(145)
— right-of-use assets		**—**	(1)
(Reversal of allowance)/allowance of impairment on trade receivables		**(29,394)**	195,398
Interest income on bank deposits		**(104)**	(150)
Fair value losses/(gains) of convertible bonds	30	**5,645**	(8,723)
Fair value losses of investment properties	21	**930**	—
Reversal of value-added tax credits not deductible		**—**	142
Foreign exchange losses/(gains)		**3,574**	(511)
Operating loss before working capital changes		**(8,226)**	(8,427)
— trade and other receivables		**3,960**	4,806
— trade and other payables		**(13,608)**	8,262
— contract liabilities		**(244)**	(14,425)
Cash used in operations		**(18,118)**	(9,784)
Income tax paid		**(25)**	(1,086)
Net cash used in operating activities		**(18,143)**	(10,870)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(58)**	(11,735)
Proceeds from disposals of property, plant and equipment		**145**	7,500
Rental deposits paid		**—**	20
Interest income on bank deposits received		**104**	150
Net cash generated from/(used in) investing activities		**191**	(4,065)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of interest of convertible bonds		**(6,876)**	(6,473)
Payment of lease liabilities		**(2,921)**	(3,002)
Proceeds from exercise of share options		**—**	3,728
Interest on lease liabilities	12	**(225)**	(314)
Repayment to a related company		**—**	(1,802)
Capital contribution from non-controlling interest of a subsidiary		**2,000**	—
Net cash used in financing activities		**(8,022)**	(7,863)
NET CHANGES IN CASH AND CASH EQUIVALENTS		**(25,974)**	(22,798)
Effect of foreign exchange rate changes		**3,957**	(1,917)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**60,769**	85,484
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	**38,752**	60,769

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in:

(i) the provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas ("LNG"), coupled with sales of LNG ("New Energy Business"); and

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

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

2. GOING CONCERN BASIS

The Group incurred a net loss of RMB3,739,000 during the year ended 31 December 2022. In addition, the Group has a financial obligation of RMB85,096,000 that is repayable within the next twelve months, however the available cash and cash equivalents as of 31 December 2022 only maintained at RMB38,752,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to continue to attain profitable and positive cash flows from operations in the immediate and longer terms.

During the year, the Group has successfully recovered certain overdue trade receivables. To further strengthen the Group's liquidity in the foreseeable future, the directors of the Company have taken measures including continuing the collection of remaining overdue amounts and close monitoring of trade receivables' collection periods, in order to achieve further improvement of the Group's liquidity in short term and long-term periods.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months commencing from the end of the reporting period based on cash flow projections prepared by management. With continued adoption of the above credit control measures, the directors have concluded that the Group will have sufficient working capital to fully meet its financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Companies Ordinance. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current year of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior years reflected in these consolidated financial statements.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to IFRS Standards 2018–2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

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

The Group has not early applied any new IFRSs, amendments to IFRSs and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. These new IFRSs and amendments to IFRSs and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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

5. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and convertible bonds that are measured at fair value).

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency. The directors consider that choosing RMB as the presentation currency best suits the needs of the shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land-use-right and building	The shorter of the period of the respective leases or 30 years
Leasehold improvements	The shorter of the period of the respective leases or 5 years
Machinery and equipment	12%
Furniture, fixtures and equipment	19% — 32%
Motor vehicles	20% — 25%

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the period in which the property is derecognised.

Rental income from investment properties is accounted for as described in note 5(o) to the consolidated financial statements.

(e) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leases *(Continued)*

(i) The Group as a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 *Financial instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) The Group as a lessor

When the Group acts as a lessor, a lease is classified as an operating lease if it does not transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such case, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets

The Group classifies its financial assets as financial assets at amortised cost.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group's financial assets at amortised cost includes trade and other receivables, rental deposit, cash and cash equivalents.

(i) Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, and demand deposits with banks. Cash and cash equivalents are assessed for ECL.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(l) Convertible bonds

Convertible bonds where the conversion option will be settled other than by the Group exchanging a fixed amount of functional currency cash for a fixed number of its own equity instruments are classified as financial liabilities, and are designated as at fair value through profit or loss on initial recognition. Transaction costs associated to convertible bonds designated as at fair value through profit or loss are expensed as incurred. Convertible bonds are subsequently measured at fair value with changes in fair value recognised in profit or loss except for changes in the fair value that is attributable to changes in the credit risk is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to retained profits upon derecognition.

(m) Payables

Payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue and other income

The Group recognises revenue when or as the control of the goods or services is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

(i) Revenue from sales of LNG

Revenue from sales of LNG are recognised at a point in time, when control of the good and services is transferred to the customer upon delivery of goods. The credit period granted to customer is 30 days.

(ii) Management fee income is recognised over time.

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Rental income under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(p) Employee benefits

Pension and retirement obligations

Payments to state-sponsored retirement benefit schemes in the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme in Hong Kong calculated as a percentage of employees' basic salaries are recognised as an expense when employees have rendered service entitling them to the contributions.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments to directors, employees and consultants are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are initially recognised and subsequently accounted for resembling to accounting policy for equity-settled share-based payments to certain directors and employees taking into consideration by the management of the Group the services rendered from the consultants to be in substance as the outputs from employees.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group firstly determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Impairment of financial assets

The Group recognises allowances for impairment for ECL on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables assessed individually. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk for balances with an internal credit rating of "Doubtful" since initial recognition. However, if the credit risk on all other financial instruments has not increased significantly since initial recognition, the Group would assess the internal credit ratings on these balances as either "Low Risk" indicating no balances past due or "Watch List" indicating occasionally late settlements on balances, and measures the allowance for impairment for all other financial instruments at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instruments. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default;

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; or

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired with an internal credit rating of “Loss” when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and the Group recognises lifetime ECL accordingly. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulties of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty’s financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset with an internal credit rating of “Write-off” when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the asset’s gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL *(Continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment loss or reversal of an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(ii) Assessment of significant increase in credit risk and credit impairment of financial assets

As mentioned in note 5(u) to the consolidated financial statements, ECL is measured as an allowance for impairment equal to 12-month ECL for financial assets having internal credit ratings of either "Low Risk" or "Watch List", or lifetime ECL for financial assets having internal credit ratings of either "Doubtful" or "Loss". A financial asset's internal credit rating is "Doubtful" when its credit risk has increased significantly since initial recognition but is not assessed to be credit-impaired. A financial asset's internal credit rating is "Loss" when it is credit-impaired. In assessing whether the credit risk of a financial asset has significantly increased or whether a financial asset is credit-impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Income taxes

The Group is subject to income taxes in the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax expense recognised to profit or loss is disclosed in Note 14 to the consolidated financial statements.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of property, plant and equipment, and right-of-use assets

Property, plant and equipment, and right-of-use assets are stated at costs less accumulated amortisation and depreciation, and any impairment. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether any events have occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates could materially affect the recoverable amount used in the impairment test.

The carrying amount of property, plant, equipment and right-of-use assets as at 31 December 2022 are disclosed in Notes 20 and 22 to the consolidated financial statements.

(iii) Fair value of investment properties

The Group appointed Masterpiece Valuation Advisory Limited, an independent qualified professional valuer, to assess the fair values of the investment properties as at 31 December 2022 and 2021 respectively. In determining the fair values, the valuers have utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amounts of investment properties as at 31 December 2022 is disclosed in Note 21 to the consolidated financial statements.

(iv) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss of trade receivables based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The carrying amount of trade receivables as at 31 December 2022 is disclosed in Note 24 to the consolidated financial statements.

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk mainly relating to convertible bonds, cash and cash equivalents denominated in Hong Kong dollars but presented in the functional currency of RMB by the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The table below summaries the changes in the Group's consolidated loss after tax and total equity in response to reasonably possible changes in the foreign exchange rate of Hong Kong dollars, referred from the trend in foreign exchange rate of Hong Kong dollars in the corresponding reporting period, to which the Group has significant exposure to the foreign currency risk at the end of the reporting period, with all other variables constant.

	Hypothetical movement in foreign exchange rate	**Increase on consolidated loss after tax and total equity**
		RMB'000
31 December 2022	**5%**	**(2,665)**
31 December 2021	5%	(1,437)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from other receivables and deposits is limited after taking into consideration the financial positions of the counterparties, and the Group's historical credit loss experience. In addition, the Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks or financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due in 30 days from the date of billing for sales of LNG, and are due within one to two years after the completion of works for construction related and consultancy service. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures allowance of impairment on trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate significantly different loss patterns for different customer segments, the allowance of impairment on trade receivables based on historical credit loss experience is further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

	2022		
	Gross carrying amount RMB'000	**Expected loss rate %**	**Total allowance for impairment RMB'000**
0–60 days	**89,901**	**8.90%**	**8,002**
61–180 days	**—**	**N/A**	**—**
181–270 days	**13,853**	**19.48%**	**2,698**
271 days–1 year	**—**	**N/A**	**—**
Over 1 year but within 2 years	**53,181**	**80.20%**	**42,652**
Over 2 years	**239,604**	**100%**	**239,604**
	396,539		**292,956**

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	2021		
	Gross carrying amount RMB'000	Expected loss rate %	Total allowance for impairment RMB'000
0–60 days	104,444	8.68%	9,070
61–180 days	—	N/A	—
181–270 days	93,457	9.23%	8,622
271 days–1 year	44,429	33.81%	15,022
Over 1 year but within 2 years	99,930	85.54%	85,477
Over 2 years	204,159	100%	204,159
	546,419		322,350

Expected loss rates are based on actual loss experience over the last ten half-year periods (2021: eight half-year periods). These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2022, the Group has estimated and increased the expected credit loss rates on certain age buckets, in view of certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in recognition of RMB15,494,000 allowance of impairment in profit and loss during the year.

In addition, during the year, the Group has also recognised a reversal of impairment loss of RMB44,888,000 following recovered of certain overdue trade receivables.

As a result, during the year, the Group has recognised a net reversal of impairment loss on trade receivables of RMB29,394,000.

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables *(Continued)*

Movements in the allowance of impairment on trade receivables during the years are as follows:

	2022 **RMB'000**	2021 RMB'000
At 1 January	**322,350**	126,952
Recognised during the year	**—**	195,398
Reversals	**(29,394)**	—
At 31 December	**292,956**	322,350

Concentration of credit risk

At 31 December 2022, the Group has certain concentration of credit risk of approximately 26% (2021: 35%) and 66% (2021: 72%) of the total trade receivables was due from the largest trade customer and five largest trade customers respectively.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	**Between 1 and 5 years** RMB'000	**Total** RMB'000	**Carrying amount** RMB'000
At 31 December 2022				
Trade and other payables	**114,403**	**—**	**114,403**	**114,403**
Lease liabilities	**1,916**	**1,137**	**3,053**	**2,905**
Convertible bonds	**94,351**	**—**	**94,351**	**85,096**
	210,670	**1,137**	**211,807**	**202,404**
At 31 December 2021				
Trade and other payables	127,464	—	127,464	127,464
Lease liabilities	3,146	3,053	6,199	5,826
Convertible bonds	6,397	86,358	92,755	78,796
	137,007	89,411	226,418	212,086

7. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Categories of financial instruments at 31 December

	2022 **RMB'000**	2021 RMB'000
Financial assets:		
Financial assets measured at amortised cost	**143,264**	285,193
Financial liabilities:		
Financial liabilities measured at amortised cost	**113,780**	127,464
Convertible bonds measured at fair value through profit or loss	**85,096**	78,796
Lease liabilities	**2,905**	5,826

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

During the years ended 31 December 2022 and 2021, there was no transfer between Level 2 and Level 3. The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

8. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements as at 31 December	
	2022	2021
	Level 3	Level 3
	RMB'000	RMB'000
Recurring fair value measurements:		
Financial assets		
Investment properties		
Commercial units — the PRC	**3,780**	9,910
Recurring fair value measurements:		
Financial liabilities		
Convertible bonds	**85,096**	78,796

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021:

The Group's Financial Controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes and reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the Financial Controller and the board of directors regularly.

For level 3 fair value measurements, the following valuation techniques were applied:

(i) Investment properties

Income approach by capitalising the net rental income of the properties derived from the existing leases and leases of similar properties in close proximity.

8. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2022 and 2021: *(Continued)*

(ii) Convertible bonds

Binomial model by taking into account of risk-free rate, historical volatility of the Company, and discount rate with reference to market comparable corporate bonds with similar maturity and credit risk under market approach.

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value
					RMB'000
31 December 2022					
(i) Investment properties	Income approach	Average monthly rental of the properties derived from the existing leases and leases of similar properties in close proximity	RMB5.78 per square metre	Increase	**3,780**
		Discount rate	5%	Decrease	
(ii) Convertible bonds	Binomial model	Risk-free rate	4.29%	Decrease	**85,096**
		Historical volatility of the Company	57.56%	Increase	
		Discount rate	22%	Decrease	
31 December 2021					
(i) Investment properties	Income approach	Average monthly rental of the properties derived from the existing leases and leases of similar properties in close proximity	RMB6.4 per square metre	Increase	9,910
		Discount rate	5%	Decrease	
(ii) Convertible bonds	Binomial model	Risk-free rate	0.62%	Decrease	78,796
		Historical volatility of the Company	39.13%	Increase	
		Discount rate	19%	Decrease	

8. FAIR VALUE MEASUREMENTS *(Continued)*

(c) The reconciliations of investment properties and convertible bonds measured at fair value based on Level 3 are disclosed in Notes 21 and 30 to the consolidated financial statements.

(Losses)/gains recognised in profit or loss are presented in other (losses)/gains in the consolidated statement of profit or loss and other comprehensive income.

9. REVENUE

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
New Energy Business		
— Sales of LNG	**199,412**	420,168
— Management fee income	**725**	—
	200,137	420,168
Revenue from other sources		
— Rental income from property investments	**392**	488
	200,529	420,656
Timing of revenue recognition		
— At a point in time	**199,412**	420,168
— Over time	**1,117**	488
	200,529	420,656

Contract liabilities of RMB71,000 recognised at 1 January 2022 was recognised as revenue for the year ended 31 December 2022.

10. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Rental and operation management service income	**9,103**	9,103
Government subsidies (note)	**367**	58
Interest income on bank deposits	**104**	150
	9,574	9,311

Note:

Included in the government subsidies during the year consist of:

(a) a sum of RMB28,000 (2021: RMB58,000) from the PRC's local government for employment support and encouragement of its New Energy Business. There are no specific conditions attached to the incentives and, therefore the Group recognised the incentives upon receipt.

(b) a sum of RMB327,000 (2021: RMB Nil) which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

11. OTHER (LOSSES)/GAINS

	2022 RMB'000	2021 RMB'000
Foreign exchange (losses)/gains	**(3,574)**	511
Fair value (losses)/gains of convertible bonds	**(5,645)**	8,723
Fair value losses of investment properties	**(930)**	—
Reversal of value-added tax credits not deductible	**—**	(142)
Others	**(43)**	145
	(10,192)	9,237

12. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on lease liabilities	**225**	314

13. SEGMENT INFORMATION

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

The Group has two reportable operating segments, which are (a) New Energy Business; and (b) Property Investments. The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 5 to the consolidated financial statements.

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

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

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

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

13. SEGMENT INFORMATION *(Continued)*

	New Energy Business RMB'000	Property Investments RMB'000	Total RMB'000
For the year ended 31 December 2021			
Revenue	420,168	488	420,656
Cost of sales	(427,685)	—	(427,685)
Segment results	(7,517)	488	(7,029)
Other income			9,311
Other gains			9,237
Allowance of impairment on trade receivables			(195,398)
Administrative expenses			(25,397)
Finance costs			(314)
Income tax expense			(3,995)
Loss for the year			(213,585)

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

	2022 RMB'000	2021 RMB'000
Customer A (New Energy Business)	**185,516**	160,791
Customer B (New Energy Business)	**—**	188,902
Customer C (New Energy Business)	**—**	61,151

14. INCOME TAX EXPENSE

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

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the year — the PRC	**(39)**	(4)
Under-provision in prior years	**(5)**	(37)
	(44)	(41)
Deferred tax (Note 31)	**—**	(3,954)
	(44)	(3,995)

14. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 2022 and 2021.

PRC Corporate Income Tax has been provided at a rate of 25% for the year ended 31 December 2022, except for subsidiaries eligible to be a "Small and Low-profit Enterprise" under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20%. No provision for PRC Corporate Income Tax was required since the Group had no assessable profits for the year ended 31 December 2021.

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

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

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(3,695)**	(209,590)
Tax at the respective applicable tax rates	**(1,030)**	52,235
Tax effect of expenses not deductible	**(143)**	(206)
Tax effect of income not taxable	**627**	1,439
Tax effect of tax losses not recognised	**(6,809)**	(4,600)
Net tax effect of temporary differences not recognised	**7,316**	(52,826)
Under-provision in prior years	**(5)**	(37)
Income tax expense	**(44)**	(3,995)

At the end of the reporting period, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB11,383,129 (2021: RMB4,568,796) due to the unpredictability of future profit streams. Tax losses are all arisen in the PRC and will be expired within five years for offsetting against future taxable profits.

Under the Corporate Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries of RMB463,031,000 as at 31 December 2022 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

15. LOSS FOR THE YEAR

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

	2022	2021
	RMB'000	RMB'000
Directors' and chief executive's emoluments (Note 17)	**5,137**	4,094
Salaries and other allowances	**7,142**	7,334
Retirement benefit scheme contributions	**1,178**	1,155
Auditors' remuneration	**1,099**	999
Depreciation of property, plant and equipment:		
— recognised in cost of sales	**10,332**	10,333
— recognised in administrative expenses	**1,329**	1,316
Depreciation of right-of-use assets	**2,889**	3,190

16. EMPLOYEE BENEFITS EXPENSE

	2022	2021
	RMB'000	RMB'000
Employee benefits expense:		
Salaries and other allowances	**12,132**	11,297
Retirement benefit scheme contributions	**1,325**	1,286
	13,457	12,583

(a) Pensions — defined contribution plans

The Group contributes to defined contribution retirement plans which are available for eligible employees in the PRC and Hong Kong. Pursuant to the relevant laws and regulations in the People's Republic of China, the Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities (the "PRC Retirement Schemes"). The Group makes contributions to the PRC Retirement Schemes at the applicable rates based on the amounts stipulated by the local government organisations. Upon retirement, the local government labour and security authorities are responsible for the payment of the retirement benefits to the retired employees.

16. EMPLOYEE BENEFITS EXPENSE *(Continued)*

(a) Pensions — defined contribution plans *(Continued)*

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the jurisdiction of Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

During the years ended 31 December 2022 and 2021, the Group had no forfeited contributions under the PRC Retirement Scheme and MPF Scheme and which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2022 and 2021 under the PRC Retirement Scheme and MPF Scheme which may be used by the Group to reduce the contribution payable in future years.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four directors (2021: three) whose directors' emoluments are reflected in the analysis presented in note 17(a). The emoluments of the remaining one individual (2021: two) are set out below:

	2022 **RMB'000**	2021 RMB'000
Salaries and other allowances	**783**	961
Retirement benefit scheme contributions	**15**	26
	798	987

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
HK$0 to HK$1,000,000	**1**	2

During the years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

17. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
Name of directors	Directors' fee RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2022				
Executive directors				
Mr. Hu Yishi	**172**	**1,119**	**15**	**1,306**
Mr. Chan Wing Yuen, Hubert	**172**	**895**	**61**	**1,128**
Ms. Lin Min, Mindy	**172**	**875**	**12**	**1,059**
Ms. Kwong Wai Man, Karina	**172**	**895**	**61**	**1,128**
Independent non-executive directors				
Ms. Ma Lee	**172**	**–**	**–**	**172**
Mr. Lau Kwok Kee	**172**	**–**	**–**	**172**
Ms. Qin Xuwen	**172**	**–**	**–**	**172**
	1,204	**3,784**	**149**	**5,137**
For the year ended 31 December 2021				
Executive directors				
Mr. Hu Yishi	165	1,080	15	1,260
Mr. Chan Wing Yuen, Hubert	165	864	58	1,087
Ms. Lin Min, Mindy	165	–	–	165
Ms. Kwong Wai Man, Karina	165	864	58	1,087
Independent non-executive directors				
Ms. Ma Lee	165	–	–	165
Mr. Lau Kwok Kee	165	–	–	165
Ms. Qin Xuwen	165	–	–	165
	1,155	2,808	131	4,094

17. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

During the years, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office, whether directly or indirectly, subsisting at the end of the year or any time during the year.

No director waived or has agreed to waive any emoluments for the years ended 31 December 2022 and 2021.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company, any of its fellow subsidiaries, its holding companies or its subsidiaries was a party and in which the directors of the Company or the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

18. DIVIDENDS

The board of directors does not recommend any payment of dividend in respect of the years ended 31 December 2022 and 2021.

19. LOSS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	**(5,254)**	(191,311)

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,666,936**	3,626,800

The computations of diluted loss per share for the years ended 31 December 2022 and 2021 did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

20. PROPERTY, PLANT AND EQUIPMENT

	Land-use-right and building RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2021	–	902	87,008	1,078	754	89,742
Additions	–	207	–	25	11,503	11,735
Disposals	–	–	–	–	(7,987)	(7,987)
At 31 December 2021 and 1 January 2022	**–**	**1,109**	**87,008**	**1,103**	**4,270**	**93,490**
Additions	**–**	**–**	**–**	**43**	**15**	**58**
Transfer from investment properties (Note 21)	**5,200**	**–**	**–**	**–**	**–**	**5,200**
Disposals	**–**	**–**	**–**	**–**	**(276)**	**(276)**
At 31 December 2022	**5,200**	**1,109**	**87,008**	**1,146**	**4,009**	**98,472**
Accumulated depreciation and impairment losses						
At 1 January 2021	–	331	30,138	843	568	31,880
Charge for the year	–	402	10,333	133	781	11,649
Disposals	–	–	–	–	(632)	(632)
At 31 December 2021 and 1 January 2022	**–**	**733**	**40,471**	**976**	**717**	**42,897**
Charge for the year	**14**	**366**	**10,332**	**80**	**869**	**11,661**
Disposals	**–**	**–**	**–**	**–**	**(88)**	**(88)**
At 31 December 2022	**14**	**1,099**	**50,803**	**1,056**	**1,498**	**54,470**
Carrying amount						
At 31 December 2022	**5,186**	**10**	**36,205**	**90**	**2,511**	**44,002**
At 31 December 2021	–	376	46,537	127	3,553	50,593

21. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At 1 January	**9,910**	9,910
Fair value losses	**(930)**	—
Transfer to property, plant and equipment (Note 20)	**(5,200)**	—
31 December	**3,780**	9,910

The Group's investment properties are situated in the PRC and held under medium-term leases. The lease terms of leases whereby the Group leases out its investment properties under operating leases are two years.

The valuations of investment properties were performed by Masterpiece Valuation Advisory Limited to assist on the fair value determinations using income approach by capitalising the net rental income of the properties derived from the existing leases and leases of similar properties in close proximity.

Amount recognised in consolidated statement of profit or loss for investment properties:

	2022 RMB'000	2021 RMB'000
Rental income	**392**	488

Operating leases relate to investment properties owned by the Group with lease terms of two years. All operating lease contracts contain market review clauses in the vent that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2022 RMB'000	2021 RMB'000
Within year 1	**180**	319
In the second year	**120**	—
	300	319

22. RIGHT-OF-USE ASSETS

	Office premises	
	2022	2021
	RMB'000	RMB'000
At 1 January	**5,693**	5,181
Additions	**–**	3,864
Depreciation for the year	**(2,889)**	(3,190)
Disposals for the year	**–**	(162)
At 31 December	**2,804**	5,693

The tenure of the Group's lease arrangements for renting office premises is from one to three years for the year ended 31 December 2022 (2021: two to five years).

Lease arrangements for office premises usually allow early termination by the Group with one-month notice in advance after twelve months from the commencement of the leases. Otherwise, penalties equivalent to one-month lease payment would be charged. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Details of total cash outflow for leases included in net cash used in financing activities are set out in note 34 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's subsidiaries at 31 December 2022 and 2021 are set out as follows:

Name of subsidiary	Country of incorporation/ Kind of legal entity	Issued and paid-up capital/ Registered capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2022	2021	
Directly owned					
譽凡國際有限公司 Glory Superb International Limited	BVI/Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
御域有限公司 Noble Basin Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
富能有限公司 Rich Mighty Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
超寶有限公司 Treasure Beyond Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
慧寶有限公司 Wisdom Gem Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
萃譽控股有限公司 Brilliant Noble Holdings Limited	Samoa/ Limited liability company	US$1	**100%**	100%	Investment holding/ Samoa
誠富投資有限公司 Chengfu Investments Limited	Samoa/ Limited liability company	US$1	**100%**	100%	Investment holding/ Samoa
耀海控股有限公司 Radiant Sea Holdings Limited	Samoa/ Limited liability company	US$1	**100%**	100%	Investment holding/ Samoa

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ Kind of legal entity	Issued and paid-up capital/ Registered capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2022	2021	
Indirectly owned					
華夏北方能源科技發展(天津)有限公司 Hua Xia Northern Energy Technology Development (Tianjin) Limited**	PRC/ Limited liability company	RMB20,000,000	**89.9%**	89.9%	Provision of technological development, construction and consultancy services on new energy/PRC
華夏北方新能源科技發展(天津)有限公司 Hua Xia Northern New Energy Technology Development (Tianjin) Limited**	PRC/ Limited liability company	RMB1,000,000	**90%**	90%	Provision of technological development, construction and consultancy services on new energy/PRC
華夏北方科技發展(天津)有限公司 Hua Xia Northern Technology Development (Tianjin) Limited**	PRC/ Limited liability company	RMB45,000,000	**89.9%**	89.9%	Provision of technological development, construction and consultancy services on new energy/PRC
天晟九燃(上海)新能源有限公司 Tian Cheng Jiu Ran (Shanghai) New Energy Company Limited** (note (a))	PRC/ Wholly foreign owned enterprise	US$2,000,000	**100%**	100%	Sales of LNG/PRC
上海灝華能源發展有限公司 Shanghai Hao Hua Energy Development Limited**	PRC/ Limited liability company	RMB10,000,000	**60%**	60%	Sales of LNG/PRC
天津津熱天然氣銷售有限公司 Tianjin Jin Re Natural Gas Sales Company Limited**	PRC/ Limited liability company	RMB20,000,000	**81.8%**	81.8%	Sales of LNG/PRC
上海盈愷投資管理有限公司 Shanghai Ying Kai Investment Management Limited** (notes (a))	PRC/ Wholly foreign owned enterprise	US$1,500,000	**100%**	100%	Property investment/ PRC

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ Kind of legal entity	Issued and paid-up capital/ Registered capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2022	2021	
Indirectly owned (Continued)					
冠能集團有限公司 Crown Glory Holdings Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Money lending/Hong Kong
怡大有限公司 Total Joy Corporation Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Provision of corporate services/Hong Kong
冠保集團有限公司 Crown Ace Holdings Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
冠悦管理有限公司 Crown Joy Management Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
順盈管理有限公司 Easy Gain Management Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
北方新能源發展有限公司 Northern New Energy Development Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
北方新能源管理有限公司 Northern New Energy Management Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
鋭力管理有限公司 Sharp Power Management Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/Hong Kong
中華燃氣發展有限公司 Zhonghua Gas Development Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Dormant/Hong Kong

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ Kind of legal entity	Issued and paid-up capital/ Registered capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities/ Place of operation
			2022	2021	
Indirectly owned (Continued)					
中華燃氣(香港)有限公司 Zhonghua Gas (Hong Kong) Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/ Hong Kong
盈凱有限公司 Abundant Victory Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Republic of Seychelles
銳力投資有限公司 Sharp Power Investments Limited	Republic of Seychelles/ Limited liability company	US$1	**100%**	100%	Investment holding/ Hong Kong
寶順發展有限公司 Treasure Trend Development Limited	Hong Kong/ Limited liability company	HK$1	**100%**	100%	Investment holding/ Hong Kong

Note:

(a) These subsidiaries established in the PRC are wholly foreign owned enterprise.

** The English names of these companies represented the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Hua Xia Northern Energy Technology Development (Tianjin) Limited 華夏北方能源科技發展(天津)有限公司		Hua Xia Northern New Energy Technology Development (Tianjin) Limited 華夏北方新能源科技發展(天津)有限公司		Hua Xia Northern Technology Development (Tianjin) Limited 華夏北方科技發展(天津)有限公司		Tianjin Jin Re Natural Gas Sales Company Limited 天津津熱天然氣銷售有限公司		Shanghai Hao Hua Energy Development Limited 上海灝華能源發展有限公司	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Place of incorporation/Place of operation	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC	**PRC/PRC**	PRC/PRC
% of ownership interest/ voting power/profit sharing held by NCI	**10.1%/10.1%**	10.1%/10.1%	**10.0%/10.0%**	10.0%/10.0%	**10.1%/10.1%**	10.1%/10.1%	**18.2%/18.2%**	18.2%/18.2%	**40%/40%**	40%/40%
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At 31 December:										
Non-current assets	**–**	–	**653**	862	**78,983**	79,170	**34,408**	44,743	**13**	–
Current assets	**3,016**	6,501	**61,055**	57,655	**164,532**	122,765	**251,615**	219,005	**6,893**	473
Non-current liabilities	**–**	–	**(456)**	(667)	**(410)**	(601)	**–**	–	**–**	–
Current liabilities	**(9,345)**	(8,709)	**(13,223)**	(13,553)	**(91,626)**	(92,262)	**(223,910)**	(184,441)	**(902)**	(477)
(Net liabilities)/net assets	**(6,329)**	(2,208)	**48,029**	44,297	**151,479**	109,072	**62,113**	79,307	**6,004**	(4)
Accumulated NCI	**(639)**	(222)	**4,803**	4,430	**15,300**	11,017	**11,298**	14,426	**2,402**	(2)
Revenue	**–**	–	**–**	–	**–**	–	**194,618**	177,209	**14,621**	1,781
Profit/(loss)	**(4,121)**	(67,474)	**3,732**	(3,860)	**42,405**	(116,132)	**(17,195)**	(18,368)	**1,008**	(4)
Total comprehensive income	**(4,121)**	(67,474)	**3,732**	(3,860)	**42,405**	(116,132)	**(17,195)**	(18,368)	**1,008**	(4)
Profit/(loss) allocated to NCI	**(417)**	(6,815)	**373**	(386)	**4,283**	(11,728)	**(3,128)**	(3,343)	**404**	(2)
Net cash (used in)/ generated from operating activities	**114**	(56)	**692**	214	**226**	1,343	**(55,307)**	(525)	**(935)**	(122)
Net cash (used in)/ generated from financing activities	**(121)**	–	**(701)**	(240)	**(216)**	(2,442)	**53,199**	1,953	**5,000**	300
Net (decrease)/increase in cash and cash equivalents	**(7)**	(56)	**(9)**	(26)	**10**	(1,099)	**(2,108)**	1,428	**4,065**	178

As at 31 December 2022, the cash and cash equivalents of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB6,689,000 (2021: RMB9,419,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**396,539**	546,419
Less: allowance of impairment	**(292,956)**	(322,350)
	103,583	224,069
Other receivables	**4,299**	6,080
Prepayments	**148,581**	1,091
Deposits	**518**	10
	256,981	231,250

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

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

	2022 RMB'000	2021 RMB'000
0–60 days	**81,899**	95,374
61–180 days	**—**	—
181–270 days	**11,155**	84,835
271 days–1 year	**—**	29,407
Over 1 year but within 2 years	**10,529**	14,453
	103,583	224,069

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

25. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash on hand	**84**	64
Bank balances	**38,668**	60,705
	38,752	60,769

Cash and cash equivalents comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The balances are mainly denominated in Hong Kong dollars.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. SHARE CAPITAL

	2022 and 2021		
	Number of shares '000	HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.00125 each			
At 1 January and 31 December	**64,000,000**	**80,000**	**–**
Issued and fully paid:			
Ordinary shares of HK$0.00125 each			
At 1 January 2021	3,622,136	4,528	3,678
Exercise of share options (Note)	44,800	56	46
At 31 December 2021	**3,666,936**	**4,584**	**3,724**
At 1 January 2022 and 31 December 2022	**3,666,936**	**4,584**	**3,724**

Note: During the year ended 31 December 2021, 44,800,000 new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.10125 granted on 25 November 2014, and none of the share options with exercise price of HK$0.289 granted on 9 June 2017 was exercised. The gross proceeds from the exercise of share options are HK$4,536,000 (equivalent to RMB3,728,000).

26. SHARE CAPITAL *(Continued)*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2022	2021
	RMB'000	RMB'000
Total debt	**88,001**	84,622
Less: cash and cash equivalents	**(38,752)**	(60,769)
Net debt	**49,249**	23,853
Total equity	**109,789**	115,043
Debt-to-adjusted capital ratio	**45%**	21%

Total debt comprises convertible notes and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests. The increase in the debt-to-adjusted capital ratio for the year ended 31 December 2022 resulted primarily from the decrease in cash and cash equivalents mainly due to cash used in operations and interest paid on convertible bonds during the year.

The externally imposed capital requirement for the Group is to have a public float of at least 25% of the shares in order to maintain its listing on GEM of the Stock Exchange.

27. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2022 RMB'000	2021 RMB'000
Current assets		
Other receivables	**355**	337
Cash and cash equivalents	**836**	7,159
	1,191	7,496
TOTAL ASSETS	**1,191**	7,496
Capital and reserves		
Share capital	**3,724**	3,724
Reserves	**(104,871)**	(92,130)
TOTAL EQUITY	**(101,147)**	(88,406)
Non-current liabilities		
Convertible bonds	**—**	78,796
Current liabilities		
Other payables	**1,136**	1,000
Convertible bonds	**85,096**	—
Amounts due to subsidiaries	**16,106**	16,106
	102,338	17,106
TOTAL EQUITY AND LIABILITIES	**1,191**	7,496

Approved by the board of directors on 24 March 2023 and are signed on its behalf by:

Hu Yishi *Director*	**Chan Wing Yuen, Hubert** *Director*

27. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	50,935	23,998	(1,128)	73,805
Total comprehensive income for the year	—	—	(169,617)	(169,617)
Exercise of share options	6,140	(2,458)	—	3,682
At 31 December 2021 and 1 January 2022	**57,075**	**21,540**	**(170,745)**	**(92,130)**
Total comprehensive income for the year	**—**	**—**	**(12,741)**	**(12,741)**
At 31 December 2022	**57,075**	**21,540**	**(183,486)**	**(104,871)**

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 5(q) to the consolidated financial statements.

29. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,916**	3,146	**1,815**	2,921
Between 1 and 2 years	**1,137**	3,053	**1,090**	2,905
	3,053	6,199	**2,905**	5,826
Less: total future interest expenses	**(148)**	(373)		
Present value of lease liabilities	**2,905**	5,826		

The weighted average incremental borrowing rate applied was 5% (2021: 5%).

The carrying amounts of lease liabilities are mainly denominated in RMB.

30. CONVERTIBLE BONDS

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

The convertible bonds was designated and initially recognised as financial liabilities at fair value through profit or loss, and the valuations of which were performed by Avista Valuation Advisory Limited, an independent qualified professional valuer engaged by the Group to assist on the fair value determination as at 31 December 2022 and 2021 using Binomial model.

30. CONVERTIBLE BONDS *(Continued)*

The movement of the convertible bonds is as follows:

	RMB'000
At 1 January 2021	96,420
Payment of interest	(6,473)
Fair value gains	(8,723)
Exchange difference	(2,428)
At 31 December 2021 and 1 January 2022	**78,796**
Payment of interest	**(6,876)**
Fair value losses	**5,645**
Exchange difference	**7,531**
At 31 December 2022	**85,096**

31. DEFERRED TAX ASSETS

The followings are the deferred tax assets recognised by the Group:

Deferred tax assets	**Allowance of impairment on trade receivables**	
	2022	2021
	RMB'000	RMB'000
At 1 January	**–**	3,954
Charged to profit or loss for the year (note 14)	**–**	(3,954)
At 31 December	**–**	–

32. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**104,652**	119,394
Other payables	**8,368**	7,914
Accruals	**1,383**	658
	114,403	127,966

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due according to contract terms.

The aging analysis of trade payables based on invoice date is as follows:

	2022 RMB'000	2021 RMB'000
0–30 days	**461**	14,540
31–60 days	**—**	—
61–90 days	**—**	—
91–180 days	**—**	—
Over 180 days	**104,191**	104,854
	104,652	119,394

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

33. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The board of directors of the Company may grant options to directors and eligible employees and consultants of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

33. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the directors at their discretion.

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. The Scheme is valid and effective for a period of 10 years commencing on 30 December 2011 and may continue to be exercisable in accordance with their terms of issue.

The Scheme has become effective on 12 December 2011.

On 25 November 2014, the Company granted 28,000,000 share options to the Company's directors, employees and consultants at the exercise price of HK$0.81 per option (i.e. 224,000,000 share options with exercise price of HK$0.10125 each after the share subdivision on 20 May 2016). Further on 9 June 2017, the Company granted 343,536,000 share options to the Company's directors, employees and consultants at the exercise price of HK$0.289 per option.

On 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (2021: 212,480,000), representing 5.8% (2021: 5.8%) of the shares of the Company in issue at that date.

33. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
Option to directors				
Option A	25/11/2014	25/11/2014–24/11/2021	HK$0.10125*	HK$0.0501*
Option C (note 1)	09/06/2017	09/06/2018–09/06/2024	HK$0.289	HK$0.1262
Option D (note 2)	09/06/2017	09/06/2019–09/06/2024	HK$0.289	HK$0.1273
Option E (note 3)	09/06/2017	09/06/2020–09/06/2024	HK$0.289	HK$0.1287
Option to employees				
Option I (note 1)	09/06/2017	09/06/2018–09/06/2024	HK$0.289	HK$0.1117
Option J (note 2)	09/06/2017	09/06/2019–09/06/2024	HK$0.289	HK$0.1170
Option K (note 3)	09/06/2017	09/06/2020–09/06/2024	HK$0.289	HK$0.1219
Option to consultants				
Option F (note 1)	09/06/2017	09/06/2018–09/06/2024	HK$0.289	HK$0.1320
Option G (note 2)	09/06/2017	09/06/2019–09/06/2024	HK$0.289	HK$0.1320
Option H (note 3)	09/06/2017	09/06/2020–09/06/2024	HK$0.289	HK$0.1320

Notes:

1. Option vested upon the first anniversary of the date of granted, being 9 June 2018, which shall be exercisable immediately until expiry of the period from 9 June 2018 to 9 June 2024 (both dates inclusive).

2. Option vested upon the second anniversary of the date of granted, being 9 June 2019, which shall be exercisable immediately until expiry of the period from 9 June 2019 to 9 June 2024 (both dates inclusive).

3. Option vested upon the third anniversary of the date of granted, being 9 June 2020, which shall be exercisable immediately until expiry of the period from 9 June 2020 to 9 June 2024 (both dates inclusive).

* Adjusted by share subdivision on 20 May 2016.

33. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The following table discloses movement of the Company's share options for the years ended 31 December 2022 and 2021:

Option type	Outstanding at 1 January 2021 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 31 December 2021 and 1 January 2022 '000	**Granted '000**	**Exercised '000**	**Forfeited '000**	**Outstanding at 31 December 2022 '000**
Option A	44,800	–	(44,800)	–	–	**–**	**–**	**–**	**–**
Option C	30,944	–	–	–	30,944	**–**	**–**	**–**	**30,944**
Option D	30,944	–	–	–	30,944	**–**	**–**	**–**	**30,944**
Option E	30,944	–	–	–	30,944	**–**	**–**	**–**	**30,944**
Option G	1,664	–	–	–	1,664	**–**	**–**	**–**	**1,664**
Option H	28,216	–	–	–	28,216	**–**	**–**	**–**	**28,216**
Option I	22,776	–	–	–	22,776	**–**	**–**	**–**	**22,776**
Option J	27,776	–	–	–	27,776	**–**	**–**	**–**	**27,776**
Option K	39,216	–	–	–	39,216	**–**	**–**	**–**	**39,216**
	257,280	–	(44,800)	–	212,480	**–**	**–**	**–**	**212,480**
Exercisable at the end of the year					212,480				**212,480**
Weighted average exercise price (HK$)	0.256	–	0.101	–	0.289	**–**	**–**	**–**	**0.289**

In respective of the share options exercised during the year ended 31 December 2021, the weighted average share price at the date of exercise is HK$0.1990.

The fair values of the options granted were calculated using the Binomial model. The inputs into the model were as follows:

	Share price	**Exercise price**	**Expected volatility**	**Expected life**	**Risk-free rate**	**Expected dividend yield**
Option C	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option D	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option E	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option G	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option H	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option I	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option J	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%
Option K	HK$0.28	HK$0.289	46.380%	7 years	1.040%	0%

The expected volatilities are based on historical volatilities of the Company. Expected dividend yields are based on historical dividend yields of the Company. Changes in these subjective input assumptions could materially affect the fair value estimate.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January	Financing cash flows	Additions for the year	Interest expenses (Note 12)	Disposals for the year	Non-cash movement	31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022							
Lease liabilities	**5,826**	**(3,146)**	**–**	**225**	**–**	**–**	**2,905**
Convertible bonds	**78,796**	**(6,876)**	**–**	**–**	**–**	**13,176**	**85,096**
	84,622	**(10,022)**	**–**	**225**	**–**	**13,176**	**88,001**
2021							
Lease liabilities	5,190	(3,316)	3,801	314	(163)	–	5,826
Convertible bonds	96,420	(6,473)	–	–	–	(11,151)	78,796
Amount due to a related company	1,802	(1,802)	–	–	–	–	–
	103,412	(11,591)	3,801	314	(163)	(11,151)	84,622

35. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities. Except for the following disclosed.

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

Up to the date of this report, the litigation is still in process.

As at 31 December 2022, the Group has recorded in the consolidated financial statements an amount of approximately RMB5,571,000 as amount due to the suppliers. In the opinion of the directors of the Company, the possibility of any outflow of resources in settling the claims for sum of approximately RMB800,000 was not probable and therefore the ultimate liability under these claims would not have a material adverse impact on the financial position or results of the Group.

36. RELATED PARTY TRANSACTIONS

The directors of the Company and the five highest paid employees are identified as key management members of the Group, whose compensations for the years ended 31 December 2022 and 2021 are set out in Notes 17 and 16(b) to the consolidated financial statements. The remunerations of the directors and key management members are determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

Summary of Financial Information

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Revenue	321,265	344,766	243,697	420,656	**200,529**
(Loss)/profit before taxation	147,549	85,704	(145,451)	(209,590)	**(3,695)**
Income tax (expense)/credit	(46,916)	(31,964)	1,987	(3,995)	**(44)**
(Loss)/profit for the year	100,633	53,740	(143,464)	(213,585)	**(3,739)**

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	679,951	618,694	595,030	358,922	**346,729**
Total liabilities	(254,248)	(132,232)	(240,481)	(214,230)	**(203,776)**
Net assets	425,703	486,462	354,549	144,692	**142,953**

A summary of the Group's result for the five financial years and the assets and liabilities of the Group as at 31 December 2022, 2021, 2020, 2019 and 2018 as extracted from the published audited financial statements for the year ended 31 December 2022, 2021, 2020, 2019 and 2018, is set out above. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

Particular of Investment Property

Location	Type	Tenure	Attributable interest of the Group
Unit 609, Jing An China Tower, 1701 Beijing West Road, Shanghai, the PRC*	Commercial	Medium-term lease	100%
Unit 1604, Jing An China Tower, 1701 Beijing West Road, Shanghai, the PRC	Commercial	Medium-term lease	100%

* Redesignated for self-use and transferred from investment property to property, plant and equipment in November 2022.