



Zhonghua Gas Holdings Limited

中華燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)
08246.HK



2023

INTERIM REPORT

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

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

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

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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 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

Registered Office

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Principal Place of Business in Hong Kong

23/F,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Share Registrar and Transfer Office in Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F,
148 Electric Road,
North Point,
Hong Kong

Legal Advisers to the Company

Angela Ho & Associates
Conyers Dill & Pearman

Auditor

RSM Hong Kong
29/F,
Lee Garden Two,
28 Yun Ping Road,
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

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 (the “Current Period”), together with the unaudited comparative figures for the six months ended 30 June 2022 (the “Corresponding Period”) as follows:

Financial Highlights

	For the six months ended 30.6.2023		For the six months ended 30.6.2022		Increase/ (decrease)
	RMB'000	HK\$'000 ^a	RMB'000	HK\$'000 ^a	
Revenue	127,376	138,152	113,780	133,043	11.9%
Gross loss ^(a)	(3,384)	(3,670)	(4,349)	(5,085)	(22.2%)
Profit/(loss) and total comprehensive income for the period	41,249	44,739	(27,150)	(31,746)	(251.9%)
Profit/(loss) and total comprehensive income attributable to owners of the Company	34,648	37,579	(25,579)	(29,910)	(235.5%)
Profit/(loss) before tax	41,319	44,815	(27,143)	(31,738)	(252.2%)
Profit/(loss) before tax and depreciation	47,932	51,987	(19,847)	(23,207)	(341.5%)
Earnings/(loss) per share basic and diluted	RMB0.009	HK\$0.010	RMB(0.007)	HK\$(0.008)	(228.6%)
Dividend	Nil	Nil	Nil	Nil	N/A

	As at 30.6.2023		As at 31.12.2022		Increase
	RMB'000	HK\$'000 ^a	RMB'000	HK\$'000 ^a	
Total assets	395,267	428,707	346,729	388,163	14.0%
Net assets	184,202	199,785	142,953	160,036	28.9%
Cash and cash equivalents	116,990	126,887	38,752	43,383	201.9%
Equity attributable to owners of the Company	144,437	156,656	109,789	122,909	31.6%

Key Financial Indicators	For the six months ended 30.6.2023/ As at 30.6.2023	For the six months ended 30.6.2022/ As at 31.12.2022
Gross loss margin ^(b)	(2.7%)	(3.8%)
Net profit/(loss) margin ^(c)	32.4%	(23.9%)
Return on average equity ^(d)	27.3%	(25.0%)
Current ratio (times) ^(e)	1.7	1.5
Net gearing ratio ^(f)	51.0%	59.5%

Notes:

- ^(a) The calculation of gross loss is based on revenue minus cost of sales.
- ^(b) The calculation of gross loss margin is based on gross loss divided by revenue.
- ^(c) The calculation of net profit/(loss) margin is based on profit/(loss) for the period divided by revenue.
- ^(d) The calculation of return on average equity is based on profit/(loss) attributable to owners of the Company divided by average equity attributable to owners of the Company.
- ^(e) The calculation of current ratio is based on current assets divided by current liabilities.
- ^(f) The calculation of net gearing ratio is based on bank borrowing and convertible bonds divided by total equity.
- # Converted to HK\$ at exchange rate of RMB1 = HK\$1.0846 on 30 June 2023 for reference.
- * Converted to HK\$ at exchange rate of RMB1 = HK\$1.1693 on 30 June 2022 for reference.
- △ Converted to HK\$ at exchange rate of RMB1 = HK\$1.1195 on 31 December 2022 for reference.

Independent Review Report

The RSM logo consists of three horizontal bars of varying lengths stacked vertically, followed by the letters "RSM" in a bold, sans-serif font.

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TO THE BOARD OF DIRECTORS OF ZHONGHUA GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 7 to 27, which comprises the condensed consolidated statement of financial position of Zhonghua Gas Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

RSM Hong Kong

Certified Public Accountants

Hong Kong

7 August 2023

As of 1st August 2023, RSM Hong Kong will undergo a business restructuring and is transitioning from its full Member Firm status to a new association with RSM International. It will continue to collaborate closely with RSM International, with no disruption to its leadership, client relationships and service quality. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTE	Six months ended	
		30.6.2023 RMB'000 (unaudited)	30.6.2022 RMB'000 (unaudited)
Revenue	5	127,376	113,780
Cost of sales		(130,760)	(118,129)
Gross loss		(3,384)	(4,349)
Other income	6	5,547	5,723
Other losses	7	(3,756)	(6,929)
Reversal of allowance/(allowance of impairment) on trade receivables		55,510	(11,038)
Administrative expenses		(12,508)	(10,419)
Profit/(loss) from operations		41,409	(27,012)
Finance costs	8	(90)	(131)
Profit/(loss) before tax		41,319	(27,143)
Income tax expense	10	(70)	(7)
Profit/(loss) and total comprehensive income for the period	11	41,249	(27,150)
Attributable to:			
Owners of the Company		34,648	(25,579)
Non-controlling interests		6,601	(1,571)
		41,249	(27,150)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	13	RMB0.009	RMB(0.007)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTE	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	38,715	44,002
Investment properties	15	3,780	3,780
Right-of-use assets	16	1,897	2,804
Deposits		420	410
		44,812	50,996
Current assets			
Trade and other receivables	17	233,465	256,981
Cash and cash equivalents		116,990	38,752
Total current assets		350,455	295,733
TOTAL ASSETS		395,267	346,729
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	3,724	3,724
Reserves		140,713	106,065
		144,437	109,789
Non-controlling interests		39,765	33,164
		184,202	142,953
LIABILITIES			
Non-current liabilities			
Lease liabilities		658	1,090
		658	1,090
Current liabilities			
Trade and other payables	19	113,816	114,403
Bank borrowing	20	8,000	—
Convertible bonds	21	85,909	85,096
Lease liabilities		1,294	1,815
Income tax payables		1,388	1,372
Total current liabilities		210,407	202,686
TOTAL LIABILITIES		211,065	203,776
TOTAL EQUITY AND LIABILITIES		395,267	346,729

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	3,724	57,075	21,540	32,704	115,043	29,649	144,692
Total comprehensive income for the period	—	—	—	(25,579)	(25,579)	(1,571)	(27,150)
Changes in equity for the period	—	—	—	(25,579)	(25,579)	(1,571)	(27,150)
At 30 June 2022 (unaudited)	3,724	57,075	21,540	7,125	89,464	28,078	117,542
At 1 January 2023 (audited)	3,724	57,075	21,540	27,450	109,789	33,164	142,953
Total comprehensive income for the period	—	—	—	34,648	34,648	6,601	41,249
Changes in equity for the period	—	—	—	34,648	34,648	6,601	41,249
At 30 June 2023 (unaudited)	3,724	57,075	21,540	62,098	144,437	39,765	184,202

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023 RMB'000 (unaudited)	30.6.2022 RMB'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	74,583	(4,468)
Income tax paid	(54)	(9)
Net cash generated from/(used in) operating activities	74,529	(4,477)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(419)	(10)
Interest income received	114	16
Net cash (used in)/generated from investing activities	(305)	6
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of interest of convertible bonds	(3,451)	(3,299)
Payment of lease liabilities	(953)	(1,444)
Interest paid on lease liabilities	(62)	(131)
Interest paid on bank borrowing	(28)	—
Drawdown of bank borrowing	8,000	—
Net cash generated from/(used in) financing activities	3,506	(4,874)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	77,730	(9,345)
Effect of foreign exchange rate changes	508	2,005
CASH AND CASH EQUIVALENTS AT 1 JANUARY	38,752	60,769
CASH AND CASH EQUIVALENTS AT 30 JUNE	116,990	53,429

Notes to the Interim Financial Information

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in:

- (i) the provision of diverse integrated energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of liquefied natural gas (“LNG”), coupled with sales of LNG (“Energy Business”); and
- (ii) the leasing of investment properties located in Shanghai, China (“Property Investments”).

2. BASIS OF PREPARATION

This interim financial information is unaudited and has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosures provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

This interim financial information should be read in conjunction with the 2022 annual financial statements. Except as described below, the accounting policies (including the critical judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2022.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

A. Deferred tax related to assets and liabilities arising from a single transaction

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

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

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

A. Deferred tax related to assets and liabilities arising from a single transaction (Continued)

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

- (i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- (ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to IAS 12 qualify for offset under paragraph 74 of IAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

B. International tax reform – Pillar Two model rules

The Group has adopted Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules" upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group's condensed consolidated interim financial statements.

The relief and the new disclosures will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group's condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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 six months ended 30 June 2023 and 2022, 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.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 June 2023 Level 3 RMB'000 (unaudited)	Fair value measurements as at 31 December 2022 Level 3 RMB'000 (audited)
Recurring fair value measurements:		
Financial liabilities		
Convertible bonds (note 21)	85,909	85,906

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Disclosure of valuation process:

The Group's Financial Controller is responsible for the fair value measurements of financial assets and financial 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 of financial instruments, the following valuation techniques were applied:

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.

(c) Disclosure of valuation inputs and relationships to fair value:

Level 3 fair value measurements

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value RMB'000
30 June 2023 (unaudited)					
Convertible bonds	Binomial model	Risk-free rate	4.18%	Decrease	85,909
		Historical volatility of the Company	59.53%	Increase	
		Discount rate	25%	Decrease	

4. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation inputs and relationships to fair value: (Continued)

Level 3 fair value measurements (Continued)

Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value RMB'000
31 December 2022 (audited)					
Convertible bonds	Binomial model	Risk-free rate	4.29%	Decrease	85,096
		Historical volatility of the Company	57.56%	Increase	
		Discount rate	22%	Decrease	

(d) The reconciliations of convertible bonds measured at fair value based on Level 3 are stated at note 21 to the interim financial information.

Losses recognised in profit or loss are presented in other losses in the condensed consolidated statement of profit or loss and other comprehensive income.

5. REVENUE

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Energy Business		
— Sales of LNG	126,807	113,290
— Management fee income	483	246
	127,290	113,536
Revenue from other sources		
— Rental income from property investments	86	244
	127,376	113,780
Timing of revenue recognition		
— At a point in time	126,807	113,290
— Over time	569	490
	127,376	113,780

6. OTHER INCOME

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental and operation management service income	5,425	5,425
Government subsidies (note)	—	256
Interest income on bank deposits	114	16
Others	8	26
	5,547	5,723

Notes:

During the six months ended 30 June 2022, the Group received the following subsidies:

- (a) a sum of RMB28,000 from the PRC's local government for employment support and encouragement of its Energy Business. There are no specific conditions attached to the incentives and, therefore the Group recognised the incentives upon receipt.
- (b) a sum of RMB228,000 which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

7. OTHER LOSSES

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange losses	(2,071)	(1,686)
Fair value losses of convertible bonds (note 21)	(1,685)	(5,243)
	(3,756)	(6,929)

8. FINANCE COSTS

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowing	28	—
Interest expenses on lease liabilities	62	131
	90	131

9. SEGMENT INFORMATION

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

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

Segment results are measured as gross (loss)/profit of each segment without allocation of administrative expenses, finance costs, other income, other losses, 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 profits/(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.

9. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2023 and 2022 is as follow:

	Energy Business RMB'000 (unaudited)	Property Investments RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2023			
Revenue	127,290	86	127,376
Cost of sales	(130,760)	—	(130,760)
Segment results	(3,470)	86	(3,384)
Other income			5,547
Other losses			(3,756)
Reversal of allowance of impairment on trade receivables			55,510
Administrative expenses			(12,508)
Finance costs			(90)
Income tax expense			(70)
Profit for the period			41,249
	Energy Business RMB'000 (unaudited)	Property Investments RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2022			
Revenue	113,536	244	113,780
Cost of sales	(118,129)	—	(118,129)
Segment results	(4,593)	244	(4,349)
Other income			5,723
Other losses			(6,929)
Allowance of impairment on trade receivables			(11,038)
Administrative expenses			(10,419)
Finance costs			(131)
Income tax expense			(7)
Loss for the period			(27,150)

10. INCOME TAX EXPENSE

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

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Provision for the period — the PRC	(66)	—
Under-provision in prior periods	(4)	(7)
	(70)	(7)

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the six months ended 30 June 2023 and 2022.

PRC Corporate Income Tax has been provided at a rate of 25% for the six months ended 30 June 2023, except for subsidiaries eligible to be a “Small and Low-profit Enterprise” under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20%. No provision for PRC Corporate Income Tax was required since the Group had no assessable profits for the six months ended 30 June 2022.

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.

11. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Directors' and chief executive's emoluments	2,610	2,183
Salaries and other allowances	3,781	3,226
Retirement benefit scheme contributions	541	616
Auditors' remuneration	257	218
Depreciation of property, plant and equipment:		
— recognised in cost of sales	5,166	5,166
— recognised in administrative expenses	540	684
Depreciation of right-of-use assets	907	1,446

12. DIVIDENDS

The board of directors does not recommend any payment of dividend in respect of the six months ended 30 June 2023 and 2022.

13. EARNINGS/(LOSS) PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit/(loss) attributable to owners of the Company		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	34,648	(25,579)
	Six months ended	
	30.6.2023	30.6.2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share	3,666,936	3,666,936

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of RMB419,000 mainly related to items of motor vehicles and leasehold improvements (for the six months ended 30 June 2022: RMB10,000 relating to items of furniture, fixtures and equipment).

15. INVESTMENT PROPERTIES

	30.6.2023	31.12.2022
	RMB'000	RMB'000
	(unaudited)	(audited)
At 1 January	3,780	9,910
Fair value losses	—	(930)
Transfer to property, plant and equipment	—	(5,200)
At 30 June/31 December	3,780	3,780

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

16. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023 and 2022, the Group did not enter into any new lease contracts. The balance as at 30 June 2023 relates to office premises.

17. TRADE AND OTHER RECEIVABLES

	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
Trade receivables	420,166	396,539
Less: allowance of impairment	(237,446)	(292,956)
	182,720	103,583
Other receivables	4,308	4,299
Prepayments	45,977	148,581
Deposits	460	518
	233,465	256,981

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

The Group has recovered certain overdue trade receivables where full provision was made in prior periods, this has resulted a reversal of allowance of impairment on trade receivables of RMB55.51 million recognised in profit and loss in the current period.

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:

	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
0-60 days	62,494	81,899
61-180 days	119,585	—
181-270 days	—	11,155
271 days-1 year	—	—
Over 1 year but within 2 years	641	10,529
	182,720	103,583

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

18. SHARE CAPITAL

	Number of shares	HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK\$0.00125 each			
At 1 January 2022 (audited),			
31 December 2022 (audited),			
1 January 2023 (audited) and			
30 June 2023 (unaudited)	64,000,000	80,000	—
Issued and fully paid:			
Ordinary shares of HK\$0.00125 each			
At 1 January 2022 (audited),			
31 December 2022 (audited),			
1 January 2023 (audited) and			
30 June 2023 (unaudited)	3,666,936	4,584	3,724

19. TRADE AND OTHER PAYABLES

	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
Trade payables	104,461	104,652
Other payables	7,643	8,368
Accruals	1,712	1,383
	113,816	114,403

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

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

	30.6.2023 RMB'000 (unaudited)	31.12.2022 RMB'000 (audited)
0–30 days	233	461
31–60 days	37	—
61–90 days	—	—
91–180 days	—	—
Over 180 days	104,191	104,191
	104,461	104,652

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

20. BANK BORROWING

As at 30 June 2023, the bank borrowing carried an interest rate at 5% per annum. The bank borrowing is repayable within one year and denominated in RMB.

21. 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 30 June 2023 and 31 December 2022 using Binomial model.

The movement of the convertible bonds is as follows:

	RMB'000
At 1 January 2022 (audited)	78,796
Payment of interest	(6,876)
Fair value losses	5,645
Exchange difference	7,531
At 31 December 2022 (audited) and 1 January 2023 (audited)	85,096
Payment of interest	(3,451)
Fair value losses (note 7)	1,685
Exchange difference	2,579
At 30 June 2023 (unaudited)	85,909

22. 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.

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 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 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (30 June 2022: 212,480,000), representing 5.8% (30 June 2022: 5.8%) of the shares of the Company in issue at that date. No share option was exercised during the six months ended 30 June 2023.

22. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

Details of 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 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:

- 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).
- 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).
- 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).

22. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

The following table discloses movement of the Company's share options for the six months ended 30 June 2023:

Option type	Outstanding	Granted	Exercised	Forfeited	Outstanding
	at 1 January				at 30 June
	2023				2023
	'000	'000	'000	'000	'000
	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Option C	30,944	—	—	—	30,944
Option D	30,944	—	—	—	30,944
Option E	30,944	—	—	—	30,944
Option G	1,664	—	—	—	1,664
Option H	28,216	—	—	—	28,216
Option I	22,776	—	—	—	22,776
Option J	27,776	—	—	—	27,776
Option K	39,216	—	—	—	39,216
	212,480	—	—	—	212,480
Exercisable at the end of the period	212,480				212,480
Weighted average exercise price (HK\$)	0.289	—	—	—	0.289

23. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities. Except for the following disclosed.

During the periods from 23 September 2022 to 11 April 2023, four suppliers of the Group initiated claims against the Group's subsidiary in the PRC. Pursuant to the claims, the suppliers are seeking settlement of approximately RMB6,972,000 together with interest of approximately RMB497,000 for construction works completed in 2018 and 2019.

As at 30 June 2023, the Group has recorded in the condensed consolidated statement of financial position an amount of approximately RMB6,779,000 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 additional claims for sum of approximately RMB690,000 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.

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

24. RELATED PARTY TRANSACTIONS

The remuneration of key management members of the Group for both periods are as follows:

	Six months ended	
	30.6.2023	30.6.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Directors' fee	358	332
Salaries and other allowances	1,910	1,537
Retirement benefit scheme contributions	74	66
	2,342	1,935

Management Discussion and Analysis

BUSINESS REVIEW

For the Current Period, the Group's total revenue amounted to approximately RMB127.4 million, increased approximately 11.9% from approximately RMB113.8 million for the Corresponding Period.

The Energy Business continued to contribute over 99% to the Group's total revenue. A net profit after tax of approximately RMB41.2 million was recorded for the Current Period as compared to a net loss after tax of approximately RMB27.2 million recorded in the Corresponding Period, mainly due to reversal of allowance of impairment on trade receivable of approximately RMB55.5 million for the Current Period (Corresponding Period: allowance of impairment on trade receivable of approximately RMB11.0 million).

Profit and total comprehensive income attributable to owners of the Company for the Current Period amounted to approximately RMB34.6 million compared to loss and total comprehensive income attributable to owners of the Company of approximately RMB25.6 million recorded for the Corresponding Period.

Energy Business

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

During the Current Period, the Energy Business generated revenue primarily from LNG supply and the management of customers' LNG supply station.

Though the LNG supply business has been highly competitive in terms of price that squeezed the margins, the Group is managed to increase its margin. Also, the construction related and consultancy services of the Energy Business did not show sign of improvement and the coal-to-natural gas conversion in Tianjin is also becoming saturated and the Group expects the number of new projects to continue to decrease in the future.

Starting in the first quarter of 2023, the government of China 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 Group continues to maintain strategic partnerships with a number of other significant partners with a view to explore new business opportunities with potential customers.

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

Property Investments

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

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to approximately RMB127.4 million, representing a increase of 11.9% from approximately RMB113.8 million for the Corresponding Period. The increase was mainly attributable to the sales of LNG to new customers in Tianjin and Shanghai commenced from January 2023 and April 2022 respectively.

Cost of Sales

The cost of sales for Energy Business amounted to approximately RMB130.8 million (Corresponding Period: approximately RMB118.1 million). The increase was mainly attributable to the increase in cost in LNG supply during the Current Period.

Gross Loss Margin

Gross loss represents revenue less cost of sales. Gross loss margin of the Energy Business segment decreased from 4.0% for the Corresponding Period to 2.7% for the Current Period. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both periods.

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

Other Losses

Other losses of approximately RMB3.8 million were recorded in the Current Period as compared to other losses of approximately RMB6.9 million in the Corresponding Period, mainly due to the fair value losses of Convertible Bonds of approximately RMB1.7 million recognised in the Current Period (Corresponding Period: fair value losses of approximately RMB5.2 million) and the foreign exchange losses of approximately RMB2.1 million recognised in the Current Period (Corresponding Period: foreign exchange losses of approximately RMB1.7 million).

Administrative Expenses

Administrative expenses increased by 20.0% from approximately RMB10.4 million for the Corresponding Period to approximately RMB12.5 million for the Current Period. The increase was mainly due to increase in travelling expenses and salaries and other allowance.

Income Tax Expense

Income tax expense was recorded approximately RMB0.1 million for the Current Period (Corresponding Period: income tax expense of approximately RMB0.1 million). It was derived from PRC income tax for the Current Period.

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

Profit and total comprehensive income attributable to non-controlling interests was recorded approximately RMB6.6 million for the Current Period (Corresponding Period: loss and total comprehensive income attributable to non-controlling interests: approximately RMB1.6 million). This was mainly attributable to a reversal of allowance of impairment on trade receivable for the Current Period.

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

Profit and total comprehensive income attributable to owners of the Company was recorded approximately RMB34.6 million for the Current Period (Corresponding Period: loss and total comprehensive income attributable to owners of the Company approximately RMB25.6 million). This was mainly attributable to a reversal of allowance of impairment on trade receivable for the Current Period.

Basic and diluted earnings per share for the Current Period were both RMB0.009, as compared to basic and diluted loss per share of RMB0.007 for the Corresponding Period.

PROSPECTS

Green energy LNG is the energy alternative of the future and as such, the potential for domestic growth in China 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.

China's imports of LNG rose to a five-month high in June 2023 but tepid demand in the rest of the top-importing continent has kept a lid on spot prices. China, the world's second-biggest LNG buyer, is estimated to have imported 5.96 million metric tons of the super-chilled fuel in June 2023. This is the most since January and up from 5.54 million metric tons in May 2023, as well being 28% higher than the 4.64 million offloaded in June last year.

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.

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, cash and cash equivalents maintained by the Group were approximately RMB117.0 million, representing a increase of 201.9% from approximately RMB38.8 million as at 31 December 2022.

Trade and other receivables were approximately RMB233.5 million, decreased by 9.2% from approximately RMB257.0 million as at 31 December 2022, which mainly represented the effect of reversal of allowance of impairment on trade receivables and collection of trade receivables.

Trade and other payables decreased from approximately RMB114.4 million as at 31 December 2022 to approximately RMB113.8 million as at 30 June 2023, by 0.5%, mainly represented the decrease in trade payables from the Energy Business.

Tax liabilities amounted to approximately RMB1.4 million as at 30 June 2023 and 31 December 2022.

As a result of the above mentioned, the Group's current assets and current liabilities as at 30 June 2023 were approximately RMB350.5 million and approximately RMB210.4 million (31 December 2022: approximately RMB295.7 million and approximately RMB202.7 million) respectively.

The Group has bank borrowing of approximately RMB8.0 million as at 30 June 2023. Gearing ratio of the Group, measured as bank borrowing and convertible bonds to total equity, was 51.0% as at 30 June 2023 (31 December 2022: 59.5%). The Group recorded net assets of approximately RMB184.2 million as at 30 June 2023 as compared to approximately RMB143.0 million as at 31 December 2022. The increase was mainly due to the net profit recorded during the Current Period. During the Current Period, the Group financed its operations mainly with the funds from 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 30 June 2023, 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 2022 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 30 June 2023, the Company has utilized approximately HK\$44.9 million (equivalent to approximately RMB41.4 million) for general working capital of the Group and approximately HK\$14.1 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 30 June 2023 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 30 June 2023	Unutilised proceeds up to 30 June 2023	Expected timeline for use of unutilized 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 Period, no shares was issued and allotted pursuant to the exercise of share options. As at 30 June 2023, the Company had an aggregate of 3,666,936,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

The Board does not recommend any payment of dividend for both periods.

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 on 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 Period, the Group did not use any financial instruments for hedging purposes (Corresponding Period: Nil).

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 23 of the interim financial information.

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 Period.

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

PLEDGE OF ASSETS

As at 30 June 2023, the Group did not have any mortgage or charge over its assets (31 December 2022: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 30 June 2023, the Group has 29 full time employees in the PRC and 16 staffs in Hong Kong. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business. The remuneration of the Group has maintained at competitive level with discretionary bonuses payable on a merit basis and in line with industrial practice. Apart from salary payments, other staff benefits provided by the Group includes mandatory provident fund, insurance schemes and performance related bonus.

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 shares 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 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 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (31 December 2022: 212,480,000), representing 5.8% (31 December 2022: 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 Period and outstanding as at 30 June 2023 are as follows:

	Number of share options					Exercise period	Closing price immediately before the date of grant	
	At 1 January 2023	Granted during the period	Exercised during the period	Cancelled/forfeited during the period	Outstanding as at 30 June 2023		Exercise price HK\$	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
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 period					212,480,000			

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

At 30 June 2023, 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, 3	Interest of controlled corporation	547,184,000	14.92%
Ms. Lin Min, Mindy	2, 3	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:

- 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 100% controlled by Mr. Hu.
- 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 is also interested in 22,400,000 shares which beneficially owned by herself.
- On 11 April 2023, Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited (collectively, the "Sellers") have collectively entered into a sale and purchase agreement (the "SPA") with Mr. Wang Xiangming (the "Purchaser"), pursuant to which the Sellers agreed to sell a total of approximately 28.38% of the total issued Shares, equivalent to an aggregate of 1,040,640,000 Shares. Pursuant to the terms and conditions of the SPA, this transaction shall be completed on the 60th day from the date of the SPA (if such day is not a business day as defined in the SPA (the "Business Day"), then the next following Business Day shall be deemed the 60th day), or such other date to be mutually agreed by the Sellers and the Purchaser (the "Completion Date"). Upon completion of the transaction contemplated in the SPA, the Purchaser shall be interested in an aggregate of 1,040,640,000 Shares of the Company, representing 28.38% of the issued Shares. Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited will no longer hold any Shares of the Company. On 9 June 2023, the Sellers and Purchaser mutually agreed to extend the Completion Date to 31 August 2023, or such other date to be mutually agreed by the Sellers and Purchaser in writing.

For further details, please refer to the announcement of the Company dated 11 April 2023 and 9 June 2023 published on the websites of the Company and the Stock Exchange.

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. The details of outstanding share options are shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 30 June 2023, 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 Period, the Directors were not aware of any business or interest of the Directors 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 Period and the Corresponding Period.

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

As at 30 June 2023, so far as is known to the Directors, the following persons not being the 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&7)	Beneficial owner	448,000,000	—	12.22%
Uprise Global Investments Limited ^(note 4&7)	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 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).
 7. On 11 April 2023, Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited (collectively, the "Sellers") have collectively entered into a sale and purchase agreement (the "SPA") with Mr. Wang Xiangming (the "Purchaser"), pursuant to which the Sellers agreed to sell a total of approximately 28.38% of the total issued Shares, equivalent to an aggregate of 1,040,640,000 Shares. Pursuant to the terms and conditions of the SPA, this transaction shall be completed on the 60th day from the date of the SPA (if such day is not a business day as defined in the SPA (the "Business Day"), then the next following Business Day shall be deemed the 60th day), or such other date to be mutually agreed by the Sellers and the Purchaser (the "Completion Date"). Upon completion of the transaction contemplated in the SPA, the Purchaser shall be interested in an aggregate of 1,040,640,000 Shares of the Company, representing 28.38% of the issued Shares. Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited will no longer hold any Shares of the Company. On 9 June 2023, the Sellers and Purchaser mutually agreed to extend the Completion Date to 31 August 2023, or such other date to be mutually agreed by the Sellers and Purchaser in writing.
- For further details, please refer to the announcement of the Company dated 11 April 2023 and 9 June 2023 published on the websites of the Company and the Stock Exchange.

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

Save as disclosed above, as at 30 June 2023, 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.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures of the Company” above, at no time during the Current Period was the Company, or any of its subsidiaries, or associated corporations, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any of its body corporate.

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 Period.

COMMUNICATION WITH SHAREHOLDERS

The Board communicates with the shareholders through the annual general meetings and extraordinary general meetings. In compliance with the requirements of the GEM Listing Rules, the Company issued regular reports, announcements, circulars, notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company.

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

The Company has adopted its code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also has made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding the securities transactions by Directors for the six months ended 30 June 2023.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the code provisions under the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the “Corporate Governance Code”) throughout the Current Period. 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 Period.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITOR

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph D.3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversee internal audit functions, internal control procedures and risk management matters of the Company.

As at 30 June 2023, the 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 Audit Committee had reviewed the results announcement and interim report for the six months ended 30 June 2023 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made. The Audit Committee also monitored the Company’s progress in implementing the code provisions of Corporate Governance Code as required under the GEM Listing Rules.

The Group’s external auditor, RSM Hong Kong, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 June 2023.

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

Hong Kong, 7 August 2023

As at the date of this report, the executive Directors are Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert, Ms. Lin Min, Mindy and Ms. Kwong Wai Man, Karina; and the independent non-executive Directors are Ms. Ma Lee, Mr. Lau Kwok Kee and Ms. Qin Xuwen.

This report will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its posting and on the website of the Company at <http://www.8246hk.com>.