CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

(the "Company")

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

(Stock Code: 1940)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the Reporting Period amounted to approximately RMB708.08 million, representing an increase of approximately 11.26% from approximately RMB636.43 million for the six months ended 30 June 2022.

- The gross profit of the Group for the Reporting Period was approximately RMB164.10 million, representing an increase of approximately 14.40% from approximately RMB143.45 million for the six months ended 30 June 2022.

- The net profit of the Group for the Reporting Period amounted to approximately RMB69.50 million, representing an increase of approximately 66.95% from approximately RMB41.63 million for the six months ended 30 June 2022.

- The basic and diluted earnings per Share attributable to equity shareholders of the Company for the Reporting Period were approximately RMB0.06 and RMB0.06, respectively, compared with basic and diluted earnings per Share of approximately RMB0.03 and RMB0.03, respectively, for the six months ended 30 June 2022.

- As at 30 June 2023, the gearing ratio of the Group was 42.55% as compared to 42.27% as at 31 December 2022.

- The Board does not recommend the payment of an interim dividend for the year ending 31 December 2023 (2022: Nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**") as set out below:

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB***	*RMB*
		(Unaudited)	(Unaudited)
Revenue	*4*	**708,078,203**	636,434,507
Cost of revenue	*8*	**(543,975,093)**	(492,988,332)
Gross profit		**164,103,110**	143,446,175
Selling and marketing expenses	*8*	**(907,970)**	(948,914)
Administrative expenses	*8*	**(25,236,573)**	(39,864,839)
Credit loss allowance for trade receivables		**(5,659,408)**	(3,460,732)
Research and development expenses	*8*	**(36,644,128)**	(33,644,213)
Other income	*5*	**46,728**	469,409
Other gains, net	*6*	**2,844,889**	8,656,894
Operating profit		**98,546,648**	74,653,780
Finance income	*7*	**1,599,306**	703,769
Finance costs	*7*	**(14,238,859)**	(13,730,073)
Finance costs, net		**(12,639,553)**	(13,026,304)
Profit before income tax		**85,907,095**	61,627,476
Income tax expense	*9*	**(16,405,588)**	(19,996,861)
Profit for the period attributable to owners of the Company		**69,501,507**	41,630,615
Other comprehensive income, net of tax			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		**(1,111,343)**	(4,963,325)
Total comprehensive income for the period		**68,390,164**	36,667,290
Total comprehensive income attributable to owners of the Company		**68,390,164**	36,667,290
Earnings per share – Basic and diluted	*11*	**0.06**	0.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**As at 30 June 2023** *RMB* **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Non-current assets			
Property, plant and equipment	*12*	**1,558,566,360**	1,560,472,364
Right-of-use assets	*13*	**44,651,826**	43,676,683
Deferred tax assets		**3,650,185**	3,304,108
Other assets		**5,012,908**	8,432,808
		1,611,881,279	1,615,885,963
Current assets			
Inventories		**9,233,377**	11,635,569
Trade receivables	*14*	**645,542,382**	567,035,544
Loan receivables	*15*	**–**	–
Note investment	*16*	**–**	–
Deposits, prepayments and other receivables	*17*	**18,405,759**	22,568,010
Financial assets at fair value through other comprehensive income		**41,957,868**	28,812,893
Cash and cash equivalents	*18*	**301,394,838**	360,738,465
		1,016,534,224	990,790,481
Current liabilities			
Trade and other payables	*19*	**511,688,422**	584,316,014
Contract liabilities	*4*	**8,902,739**	8,853,806
Borrowings		**247,460,000**	241,760,000
Lease liabilities	*13*	**11,381,235**	10,834,491
Income tax payable		**–**	14,721,087
		779,432,396	860,485,398
Net current assets		**237,101,828**	130,305,083
Total assets less current liabilities		**1,848,983,107**	1,746,191,046

	Notes	As at 30 June 2023 RMB (Unaudited)	As at 31 December 2022 RMB (Audited)
Non-current liabilities			
Borrowings		**356,270,119**	330,770,119
Lease liabilities	*13*	**3,607,300**	2,428,882
Deferred tax liabilities		**34,882,465**	27,158,986
		394,759,884	360,357,987
NET ASSETS		**1,454,223,223**	1,385,833,059
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**836,016**	836,016
Other reserves		**1,335,890,962**	1,329,304,835
Retained earnings		**117,496,245**	55,692,208
TOTAL EQUITY		**1,454,223,223**	1,385,833,059

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Group is engaged in the production and supply of industrial gases in the PRC.

The interim condensed consolidated financial information comprises the interim condensed consolidated statement of financial position as at 30 June 2023, the interim condensed consolidated statement of comprehensive income for six months then ended, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "**Interim Financial Information**"). The Interim Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated.

The Interim Financial Information have been reviewed, not audited.

2. BASIS OF PREPARATION

The Interim Financial Information of the Group has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" and applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies and basis of preparation used in the preparation of the Interim Financial Information for the six months ended 30 June 2023 are consistent with those used in the annual financial statements for the year ended 31 December 2022 except for the adoption of the new and amended International Financial Reporting Standards ("**IFRSs**") as disclosed in note 3 below.

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

The Interim Financial Information do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

Prior year investigation

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

I. Scope of the Investigation and the Expanded Investigation

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

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

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

(i) obtaining and reviewing relevant documents and correspondences relating to the Transactions (including but not limited to the Loan Agreement 1, Loan Agreement 2 and Loan Agreement 3 and Investment Agreement (all of which were defined in the sub-heading "Summary of the Key Findings of the Investigation"), correspondences between the Group and the counterparties to the Transactions or others with respect to the Transactions, internal records of the Company, bank documentation, payment proof of listing expenses incurred for the IPO by the Company and the list of investors during the IPO and the corresponding subscription records;

(ii) reviewing the internal control policies and procedures of the Group in relation to the entering of the Transactions and conducting interviews with relevant personnel of the Group who are responsible for carrying out such procedures;

(iii) conducting interview with relevant personnel of the Group (including Directors, management, employees from the finance department and other relevant personnel) to understand, among others, the circumstances leading to the entering of the Transactions (including the approval procedures), as well as its business rationale and commercial substance;

(iv) conducting interviews with relevant representatives of two of the underwriters to the IPO to understand, among others, the circumstances leading to the entering of the Transactions, as well as to ascertain whether they took any role in the entering of the Transactions and whether they have any relationships with the counterparties to the Transactions; and

(v) performing preservation on electronic data under the custody of relevant personnel of the Group, developing search terms pertaining to the Transactions and reviewing electronic data with responsive hits of the search terms.

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

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

II. Summary of the Key Findings of the Investigation

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

(i) Transaction 1 – RMB50,000,000 advanced by the Company to Company A on 7 December 2020 pursuant to a loan agreement dated 30 November 2020 (the "**Loan Agreement 1**") signed by the Company as lender and Company A as borrower, purporting to set out the terms for a loan of RMB50,000,000 from the Company to Company A at an interest rate of 2% per annum, repayable on 30 December 2020.

(ii) Transaction 2 – RMB53,522,000 advanced by the Company to Company B on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the "**Loan Agreement 2**") signed by the Company as lender and Company B as borrower, purporting to set out the terms for a loan of RMB53,522,000 from the Company to Company B at an interest rate of 2% per annum, repayable on 30 December 2020.

(iii) Transaction 3 – RMB14,478,000 advanced by the Company to Company C (Company C and together with Company A and Company B, the "**Borrowers**") on 10 December 2020 pursuant to a loan agreement dated 1 December 2020 (the "**Loan Agreement 3**" and together with Loan Agreement 1 and Loan Agreement 2, the "**Loan Agreements**") signed by the Company as lender and Company C as borrower, purporting to set out the terms for a loan of RMB14,478,000 from the Company to Company C at an interest rate of 2% per annum, repayable on 30 December 2020.

(iv) Transaction 4 – HK$80,000,000 (approximately RMB66,400,000) paid by the Company on 28 January 2021 pursuant to a subscription agreement dated 18 January 2021 (the "**Investment Agreement**") in respect of HK$80,000,000 secured loan note ("**Investment**") issued by Company D with a fixed return of 4.5% per annum, due on 17 December 2021.

Findings of the Investigation

(i) Between 30 November 2020 and 1 December 2020, Mr. Chen on behalf of the Company entered into the Loan Agreements with the Borrowers for the advancement of short term loans in an aggregate sum of RMB118,000,000 (the "**Loans**").

(ii) On 7 December 2020, the Company transferred RMB50,000,000 from RMB sub-account (the "**Bank A RMB Sub-Account**") of a bank account held by the Company at a bank (the "**Bank A Account**") to Company A. On 10 December 2020, the Company transferred RMB53,522,000 and RMB14,478,000 from the Bank A RMB Sub-Account to Company B and Company C respectively.

(iii) The telegraphic transfers of the Loans from the Company's Bank A RMB Sub-Account to each of the Borrowers were approved by Mr. Chen and Mr. Bai (at the behest of Mr. Chen).

(iv) The Loan Agreements were not tabled before the Board for discussion or approval. The Board had not approved the Loan Agreements. Mr. Chen admitted that the Loan Agreements were entered into without the Board's prior approval and any background check on the Borrowers and that no guarantee was provided as security for the Loans.

(v) Mr. Chen contended that the sum of RMB118,000,000 paid out from the Company's Bank A RMB Sub-Account were dividend payable to China Gas Investors Ltd. (a controlling shareholder of the Company) ("**CGI**") and were therefore funds belonging to CGI. Mr. Chen had not sought consent from CGI in relation to the change of use of the said funds and the change of use of the said funds had not been approved in compliance with the articles of association of the Company (the "**Articles**"). The Directors interviewed by Forensic Accountant considered that the funds in the Bank A RMB Sub-Account were dividends payable to the shareholders of the Company and belonged to the Company and that any change of the use of the funds in the Bank A RMB Sub-Account must comply with the provisions of the Articles and the relevant procedure of the Company.

(vi) The Bank A Account is held in the name of and is owned by the Company. The Bank A RMB Sub-Account was set up to hold dividend payable to the shareholders of the Company before completion of the IPO. In the financial statements of the Company published during the IPO and audited by the previous auditors, the asset of the Company comprised such Bank A Account.

(vii) According to Mr. Chen, the business rationale for making the Loans was to obtain confidence and good impression from the investors and fulfil their financial needs, so as to attract investors to make investment in the Company in the IPO and the making of the Loans had no direct connection with the IPO. According to Mr. Chen, it was after the IPO that one of the underwriters of the IPO notified him that a subscriber who subscribed for the Shares for the sum of US$18,000,000 at the IPO is the sole director and sole shareholder of Company A, the sole director and sole shareholder of Company D, and a former director and shareholder of Company C. Based on the IPO share allocation list, such subscriber subscribed for 13,138,000 Shares.

(viii) Notwithstanding the fact that the Borrowers were three different companies, the Borrowers were potentially associated with one another given that the form and content of the Loan Agreements were highly similar and that certain direct and indirect connections among the Borrowers were identified through desktop internet searches conducted by the Forensic Accountant.

(ix) On 18 January 2021, Mr. Chen on behalf of the Company entered into the Investment Agreement with Company D. On 28 January 2021, the Company paid HK$80,000,000 to Company D via a bank account maintained with another bank ("**Bank B**") (the "**Bank B Account**") which held the IPO proceeds. The Investment Agreement was not tabled before the Board for discussion and the Investment was not approved by the Board contrary to the Company's policy on financial management and control. The telegraphic transfer of the Investment from the Bank B Account of the Company was approved by Mr. Chen and Mr. Bai (at the behest of Mr. Chen).

(x) In a board preparatory meeting held on 13 January 2021, Mr. Chen made brief reference to potential investments with IPO proceeds. As the information provided by Mr. Chen was limited, the Directors who participated in the meeting required that the use of the IPO proceeds must comply with law and regulations and save for a portion of the IPO proceeds allocated for use for the Company's Hong Kong office, the remaining IPO proceeds should be remitted back to mainland China and be applied for the purposes set out in the IPO prospectus of the Company. According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. No resolution was passed in such meeting in relation to the investment products proposed by Mr. Chen.

(xi) According to Mr. Chen, the purpose of the Investment was to earn a higher return. Mr. Chen admitted that the Investment Agreement was entered into (i) contrary to legal advice he had obtained from the Company's then legal advisers, and (ii) before any due diligence was conducted and before any security documents were obtained.

(xii) Mr. Bai expressed the view that he personally did not agree to the Transactions and suspected that the counterparties of the Transactions were potentially associated with one another, and that there was a possibility that the Investment Agreement was entered into for the purpose of expediting the repayment of the Loans. According to Mr. Bai, the telegraphic transfer was signed by him at the behest of Mr. Chen.

(xiii) On 31 March 2021, Mr. Chen told a number of Directors that if the Company agreed to a "put option" agreement (the "**Proposed Option Agreement**"), Company A would procure immediate repayment of the Loans to the Company. Mr. Chen alleged that the Proposed Option Agreement was proposed by Company A but to be entered into with another subscriber of the IPO in respect of not more than 100,000,000 Shares at an option price of HK$1.5 per Share, with an exercise period of 5 to 31 days after the signing of the Proposed Option Agreement. The Proposed Option Agreement was in draft form and did not bear a signatory block for Company A or any known representative of Company A. Mr. Chen did not proffer a reasonable explanation as to why Company A was willing to procure immediate repayment of all three loans if the Proposed Option Agreement was entered. Mr. Chen also did not provide relevant background information about the proposed counterparty. The Proposed Option Agreement was voted down by the Board.

(xiv) The Forensic Accountant conducted an analysis of the top 38 investors in the international offering tranche of the IPO and found that as at 15 November 2021, ten of such investors (representing shareholdings of 96,178,000 shares in aggregate) were potentially connected, of which: (i) three investors (representing shareholdings of 36,110,000 Shares in aggregate) appeared to have direct connection with the counter-parties of the Transactions and (ii) seven investors (representing shareholdings of 60,068,000 Shares in aggregate) appeared to have indirect connections with the counter-parties of the Transactions.

Findings of the Expanded Investigation

(i) On 20 February 2021, the Company and Xijie'ai (Shanghai) Investment Management Co., Ltd ("**Xijie'ai**") entered into an agreement ("**Xijie'ai Agreement**") whereby the Company agreed to reimburse Xijie'ai a sum of HK$2,000,000 for expenses paid by Xijie'ai for the Company in relation to the preparation of the IPO. Mr. Chen was involved in the signing of the Xijie'ai Agreement on behalf of the Company as well as for Xijie'ai.

(ii) On 7 April 2021, a sum of HK$2,000,000 was paid to Xijie'ai via a bank account of the Company maintained with Bank B.

(iii) Xijie'ai is a wholly-owned company established in the PRC on 9 May 2007 by OxyChina Limited (a company incorporated under the law of the British Virgin Islands and is owned as to 70% by Mr. Chen, 10% by Mr. Bai and by two independent third parties of the Company each holding 10%). The legal representative of XIjie'ai is Mr. Chen.

(iv) According to the Company's policy on financial management and control, absent an applicable pre-approved budget item, if the Company enters into, amends or terminates a transaction or a series of transactions under any agreement involving an amount exceeding RMB1,000,000, prior approval from the Board shall be required. There are no documents (such as board meeting minutes or board resolutions) to support that the Xijie'ai Agreement was approved by the Board.

(v) According to the Articles, a director who to his knowledge is, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or in any other case at the first meeting of the board after he knows that he is or has become so interested. None of the supporting documents or representations provided by the Company to the Forensic Accountant shows that Mr. Chen and Mr. Bai had declared his interest to the Board.

(vi) Save and except for the Xijie'ai Agreement entered into with Xijie'ai, the Expanded Investigation has not uncovered direct evidence of management override of Mr. Chen and Mr. Bai.

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

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

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

During the year ended 31 December 2022, after taking into account the possibility of recoverable, RMB118,000,000 and RMB66,400,000 of the loan receivables and note investment were written off.

Development for the Reporting Period

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

Subsequent to the Reporting Period, the Court gave judgments in favour of the Company and granted default judgment against each of Company A, Company B, Company C and Company D for, among other things, the respective outstanding balances and interests.

As at the date of this announcement, the Company revisited the recoverability of the loan receivables and note investment but the recoverability was still remote.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1	Classification of Liabilities as Current or Non-current, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in production and supply of industrial gas in the PRC. The Group is also engaged in production and supply of liquefied natural gas and related gas transmission service. The executive director of the Company has been identified as the chief operating decision-maker ("**CODM**") who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The Group's business activities, for which discrete financial information are available, regularly reviewed and evaluated by the CODM. As a result of this evaluation, the Group determined that it has two reportable segments as follows:

– Supply of industrial gas

– Liquefied natural gas ("**LNG**") and gas transmission service

CODM assesses the performance of the reportable segments based on their revenue and gross profit. No analysis of the reportable segments' assets and liabilities is regularly provided to the CODM for review.

(i) The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June 2023 (Unaudited)			
	Supply of industrial gas (pipeline and liquefied)	**LNG and gas transmission service**	**Elimination**	**Group**
	RMB	***RMB***	***RMB***	***RMB***
Segment revenue	**573,840,720**	**143,190,867**	**(8,953,384)**	**708,078,203**
Gross profit	**159,969,044**	**4,134,066**	**–**	**164,103,110**

	Six months ended 30 June 2022 (Unaudited)			
	Supply of industrial gas (pipeline and liquefied)	LNG and gas transmission service	Elimination	Group
	RMB	*RMB*	*RMB*	*RMB*
Segment revenue	529,775,497	113,701,296	(7,042,286)	636,434,507
Gross profit	140,401,612	3,044,563	–	143,446,175

(ii) Geographic information

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

(iii) Information about major customers

Revenue from customers contributing over 10% or more of the Group's revenue is as follow:

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Customer A	**513,088,429**	459,900,114

(iv) Revenue

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

The Group is principally engaged in the production and supply of industrial gases, LNG and related gas transmission service in the PRC. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 is disclosed as follows:

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Recognised at a point in time		
Supply of pipeline industrial gas	**474,525,842**	410,797,876
Supply of liquefied industrial gas	**79,972,753**	103,190,517
Supply of LNG and gas transmission service	**143,190,867**	113,701,296
Others	**10,388,741**	8,744,818
	708,078,203	636,434,507

(v) Contract liabilities

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

The Group has recognised the following contract liabilities:

	As at 30 June 2023	As at 31 December 2022
	RMB	*RMB*
	(Unaudited)	(Audited)
Contract liabilities arising from:		
– Supply of liquefied industrial gas	**4,114,708**	4,296,926
– Supply of LNG	**4,248,983**	4,053,350
– Others	**539,048**	503,530
	8,902,739	8,853,806

Revenue recognised in relation to contract liabilities

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

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Supply of liquefied industrial gas	**3,544,043**	2,800,624
Supply of LNG	**3,482,741**	2,126,562
Others	**168,056**	379,723
	7,194,840	5,306,909

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Government grants *(note)*	**–**	458,925
Others	**46,728**	10,484
	46,728	469,409

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

6. OTHER GAINS, NET

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Net foreign exchange gains	**3,171,946**	8,806,894
Others	**(327,057)**	(150,000)
	2,844,889	8,656,894

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Finance income:		
Interest income from bank deposits	**1,599,306**	703,769
Finance costs:		
Interest expenses on bank borrowings	**(14,817,918)**	(14,793,157)
Interest expenses on discount of note receivables	**(526,923)**	–
Interest expense on lease liabilities	**(82,886)**	(101,023)
Add: amount capitalized	**1,188,868**	1,164,107
Finance costs expensed	**(14,238,859)**	(13,730,073)
Finance costs, net	**(12,639,553)**	(13,026,304)

Finance costs have been capitalized on qualifying assets at average interest rates of 4.99% per annum for the six months ended 30 June 2023 (six months ended 30 June 2022: 4.99% per annum).

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**900,000**	1,000,000
Consumption of power and utilities	**387,715,851**	359,824,407
Consumption of raw materials and low value consumables	**86,944,340**	68,630,421
Changes in inventories of finished goods	**1,549,389**	666,404
Depreciation of property, plant and equipment	**62,583,575**	62,637,351
Amortisation of right-of-use assets	**886,127**	995,015
Employee benefits expenses	**25,985,120**	29,897,287
Freight expenses	**5,067,591**	5,757,822
Equipment maintenance expenses	**16,311,210**	12,157,111
Operating service charges	**2,907,047**	3,407,698
Tax surcharges	**4,423,912**	2,958,493
Outsourcing labour costs	**2,278,635**	1,648,143
Amortisation of intangible assets	**–**	269,348
Professional service fee	**3,929,614**	11,655,470
Others	**5,281,353**	5,941,328
	606,763,764	567,446,298

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	**9,028,186**	15,127,173
Deferred tax		
– Charged to profit or loss for the period	**7,377,402**	4,869,688
Income tax expense	**16,405,588**	19,996,861

Notes:

(a) Cayman Islands income tax

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

(b) PRC enterprise income tax

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

(c) PRC withholding tax

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

(d) Super Deduction for research and development expense

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

(e) Income not subject to tax

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

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2023 (2022: Nil).

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB	*RMB*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**69,501,507**	41,630,615

	Six months ended 30 June	
	2023	2022
	Number	*Number*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	**1,200,000,000**	1,200,000,000

Diluted earnings per Share were the same as the basic earnings per Share as there was no dilutive events existed during the six months ended 30 June 2023 and 2022.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment including construction in progress with an aggregate cost of amounting to RMB60,677,571 (six months ended 30 June 2022: RMB89,827,177). No property, plant and equipment (six months ended 30 June 2022: Nil) were disposed of during the six months ended 30 June 2023.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the six months ended 30 June 2023, addition of right-of-use asset and lease liability amounting to RMB1,861,270 were recognised by the Group respectively (six months ended 30 June 2022: Nil).

	Leased properties *RMB*
As at 1 January 2022 (Audited)	13,722,369
Interest expenses	197,783
Lease payments	(688,765)
Exchange alignment	31,986
As at 31 December 2022 and 1 January 2023 (Audited)	**13,263,373**
Addition	**1,861,270**
Interest expenses	**82,889**
Lease payments	**(255,245)**
Exchange alignment	**36,248**
As at 30 June 2023 (Unaudited)	**14,988,535**

14. TRADE RECEIVABLES

	As at 30 June 2023 ***RMB*** **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Trade receivables	**659,336,790**	575,170,544
Less: loss allowance for impairment	**(13,794,408)**	(8,135,000)
	645,542,382	567,035,544

Note: As at 30 June 2023 and 31 December 2022, the fair values of the trade receivables of the Group approximated their carrying amounts.

The ageing analysis of trade receivables (net of allowance), based on invoice dates, was as follow:

	As at 30 June 2023 ***RMB*** **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Up to 6 months	**578,129,894**	529,420,167
6 months to 1 year	**43,055,728**	14,346,868
1 to 2 years	**5,010,701**	22,230,873
Over 2 years	**19,346,059**	1,037,636
	645,542,382	567,035,544

The Group's trade receivables are generally collectible within 180 days from the invoice date. No interest is charged on the trade receivables. The overdue balances were due from certain long-trading customers and impairment of RMB13,794,408 was recognised (31 December 2022: RMB8,135,000) at the end of Reporting Period.

As at 30 June 2023 and 31 December 2022, the carrying amount of the Group's gross trade receivables are denominated in RMB.

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

15. LOAN RECEIVABLES

	As at 30 June 2023 ***RMB*** **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Unsecured and non-guaranteed, fixed-rate loan receivables	**–**	118,000,000
Less: written off	**–**	(118,000,000)
	–	–
Allowance for impairment	**–**	(118,000,000)
Add: written off	**–**	118,000,000
	–	–
Loan receivables, net	**–**	–

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

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

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

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

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

16. NOTE INVESTMENT

	As at 30 June 2023 ***RMB*** **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Secured fixed-rate note investment	**–**	66,400,000
Less: written off	**–**	(66,400,000)
	–	–
Allowance for impairment	**–**	(66,400,000)
Add: written off	**–**	66,400,000
	–	–
Note investment, net	**–**	–

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

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

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
	RMB	*RMB*
	(Unaudited)	(Audited)
Value-added tax recoverable	**8,270,517**	10,190,850
Receivables due from related parties	**59,733**	67,629
Utilities and other prepayments	**7,238,435**	9,267,645
Deposits	**2,075,620**	2,338,587
Others	**761,454**	703,299
	18,405,759	22,568,010

18. CASH AND CASH EQUIVALENTS

	As at 30 June 2023	As at 31 December 2022
	RMB	*RMB*
	(Unaudited)	(Audited)
Cash at banks	**301,394,838**	360,738,465

19. TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB* **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Trade payables	**354,635,468**	381,680,822
Payables for construction and equipment	**53,499,837**	49,457,365
Dividend payable	**50,671,500**	100,671,500
Payables for operating service fee	**24,585,000**	21,168,000
Taxes payable	**557,660**	829,098
Salaries and bonus payable	**4,272,209**	6,649,128
Payables for professional service fee	**11,542,102**	13,744,238
Deposits	**1,734,800**	1,887,472
Interests payable	**1,401,811**	1,418,960
Others	**8,788,035**	6,809,431
	511,688,422	584,316,014

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

	As at 30 June 2023 *RMB* **(Unaudited)**	As at 31 December 2022 *RMB* (Audited)
Less than 1 year	**295,341,268**	320,585,126
1 to 2 years	**50,767,520**	55,841,805
2 to 3 years	**7,038,027**	3,662,931
Over 3 years	**1,488,653**	1,590,960
	354,635,468	381,680,822

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

According to the National Bureau of Statistics of China, China's gross domestic product (GDP) in the first half of 2023 was approximately RMB59.3 trillion, representing a year-on-year increase of 5.5%.

The Group's key industrial gas products are mainly used in the production of iron and steel and hence, the Group's revenue is derived mainly from steel production companies. In the first half of 2023, pandemic control measures in China such as lockdown were lifted, and the steel industry in China was generally growing steadily.

According to the National Bureau of Statistics of China, from January to June this year, China's crude steel output was 535.64 million tons, representing a year-on-year increase of 1.3%; pig iron output was 451.56 million tons, representing a year-on-year increase of 2.7%; and steel output was 676.55 million tons, representing a year-on-year increase of 4.4%.

The Group's pipeline and liquefied industrial gas business in aggregate recorded an increase as compared to the corresponding period last year, while the sales volume of the LNG products from Luanxian increased significantly. Consequently, the Group's revenue in the first half of 2023 was approximately RMB708.08 million, representing a year-on-year increase of 11.26%.

Supply of pipeline industrial gas

The Group's pipeline industrial gas is produced and transmitted to its customers via pipelines. The Group's production facilities are all located on, or in close proximity to, the production facilities of its pipeline industrial gas customers for the convenience of those customers being provided with industrial gas products. During the Reporting Period, the Group had three pipeline industrial gas production plants in operation, namely the TTG headquarters plant, the Tangshan Tangsteel Gases Co., Ltd. Laoting Branch（唐山唐鋼氣體有限公司樂亭分公司）plant and TTG New District plant (formerly known as Zhongqi Investment (Tangshan) Gases Co., Ltd.（中氣投（唐山）氣體有限公司）("**Zhongqi Investment (Tangshan)**") plant).

Supply of liquefied industrial gas

To maximise the utilisation of its designed production capacity and increase its revenue, the Group also engages in the supply of liquefied industrial gas. The Group's liquefied industrial gas products include oxygen, nitrogen, argon and carbon dioxide. Oxygen and nitrogen in gas form and liquefied oxygen, nitrogen and argon are generated in its air separation units ("**ASUs**" and each an "**ASU**"), and liquefied oxygen, nitrogen and argon can be sold directly as liquid products. Liquefied oxygen and nitrogen are obtained after oxygen and nitrogen in gas form are generated at the ASUs and further processed through liquefiers. After meeting all the demand for oxygen and nitrogen in gas form in the pipeline, the Group utilises the spare designed capacity to produce and sell liquefied industrial gas, thereby maximising the use of the ASUs. Carbon dioxide is produced in a separate production line independent from the production of oxygen, nitrogen and argon.

Supply of LNG and the provision of gas transmission service

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

The revenue and gross profit of the Group from each segment for the Reporting Period are set out as follows:

	Six months ended 30 June 2023 (Unaudited)			Six months ended 30 June 2022 (Unaudited)		
	Revenue *RMB*	**Gross profit** *RMB*	**Gross profit margin**	Revenue *RMB*	Gross profit *RMB*	Gross profit margin
Supply of industrial gas (pipeline and liquefied)	**573,840,720**	**159,969,044**	**27.88%**	529,775,497	140,401,612	26.50%
LNG and gas transmission service	**143,190,867**	**4,134,066**	**2.89%**	113,701,296	3,044,563	2.68%
Elimination	**(8,953,384)**	**–**	**–**	(7,042,286)	–	–
The Group	**708,078,203**	**164,103,110**	**23.18%**	636,434,507	143,446,175	22.54%

Operation of the Group

In the first half of 2023, the total sales of the Group's pipeline industrial gas reached approximately 1,858.41 million Nm^3 (same period in 2022: approximately 1,629.71 million Nm^3), with revenue of approximately RMB474.53 million (same period in 2022: approximately RMB410.80 million); the sales of liquefied industrial gas totalled approximately 115,327 tons (same period in 2022: approximately 75,054 tons), with revenue of approximately RMB79.97 million (same period in 2022: approximately RMB103.19 million); the revenue generated from LNG and gas transmission service was approximately RMB143.19 million (same period in 2022: approximately RMB113.70 million); and other revenue was approximately RMB10.39 million (same period in 2022: approximately RMB8.74 million).

OUTLOOK

Opportunities brought by industry development prospect

China's industrial gas industry is expected to enjoy steady growth driven by national policies, foreign investment, and high and new technology development. In the past five years, China's air separations production capacity has been expanding, reaching 35.65 million Nm^3/h in 2022, representing a year-on-year increase of 5.57%. Such increase was driven by the development of related downstream industries, primarily those ancillary to the steel, coal chemical and other industries as well as from the petrochemical, non-ferrous, electronic and other sectors. In the next five years, it is expected that the industrial gas consumption in China will continue to increase, especially in the electronic, medical, lithium batteries and other industries where the increase in demand for noble gases and special gases will be significant.

As a leading industrial gas company in Northern China, the Group has an apparent competitive advantage in the bulk industrial gas market. Meanwhile, the Group also keeps abreast of industry development trends, actively develops noble gas and special gas products, and expands the market share of electronic special gas products, so as to enhance its prospects for future development.

Opportunities brought by gas-supply model development

The industrial gas supply model includes self-established equipment gas supply and outsourced gas supply. Compared to the self-established equipment gas supply model, the operating cost and one-off financial cost of the outsourced gas supply model are lower, the supply of gas is highly stable and resources are utilised efficiently. Therefore, the market share of outsourced gas supply has been growing steadily over the years.

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

However, with general higher expectation on steel production capability and capacity, some smaller-scale steel mills are being eliminated. Therefore, the growth of consumption amount of liquid oxygen may slow down. Meanwhile, with the increase in use of small nitrogen generators and other machines in the chemical industry, the future sales of liquefied gas will also be impacted. Furthermore, the growth of consumption of liquid argon will likely decline with argon recycling becoming more popular and slower growth of stainless steel production capacity.

The Group's business development

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

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

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

   Currently, this fourth blast furnace is under construction and is expected to commence operation in the first half of 2024. The demand for the Group's industrial gas once the furnace starts operations will increase significantly.

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

   Two cold-rolled production lines are under construction by HBIS Tangshan Branch as scheduled. Simultaneously, the Group is building the 800 Nm^3/h hydrogen production units in stages in anticipation of demand from these production lines when fully start operation.

FINANCIAL REVIEW

The revenue of the Group for the Reporting Period amounted to approximately RMB708.08 million (same period in 2022: approximately RMB636.43 million), representing an increase of approximately 11.26% as compared with the same period in 2022. The gross profit for the Reporting Period amounted to approximately RMB164.10 million (same period in 2022: approximately RMB143.45 million), representing an increase of approximately 14.40% as compared with the same period in 2022, which was mainly due to higher revenue, enhanced facilities efficiency and reduction in unit power consumption. For the Reporting Period, the Company recorded a profit attributable to owners of approximately RMB69.50 million (same period in 2022: profit attributable to owners of approximately RMB41.63 million). The earnings per Share attributable to equity Shareholders of the Company for the Reporting Period amounted to approximately RMB0.06 (same period in 2022: earnings per Share of approximately RMB0.03).

Revenue

The revenue of the Group for the Reporting Period amounted to approximately RMB708.08 million, representing an increase of approximately 11.26% as compared to approximately RMB636.43 million for the same period in 2022. For the Reporting Period, the revenue derived from supply of pipeline industrial gas amounted to approximately RMB474.53 million, representing an increase of approximately 15.51% as compared to approximately RMB410.80 million for the same period in 2022, mainly due to the increase in steel production at HBIS Laoting Iron and Steel Co., Ltd.（河鋼樂亭鋼鐵有限公司）and Tangshan Middle and Heavy Plate Co., Ltd.（唐山中厚板材有限公司）which in turn resulted in higher demand for pipeline gas usage. The revenue derived from supply of liquefied industrial gas for the Reporting Period amounted to approximately RMB79.97 million, representing a decrease of approximately 22.50% as compared to approximately RMB103.19 million for the same period in 2022, mainly due to the decrease in price of lean krypton and xenon liquid oxygen products. The revenue derived from supply of LNG and gas transmission service for the Reporting Period amounted to approximately

RMB143.19 million, representing an increase of approximately 25.94% as compared to approximately RMB113.70 million for the same period in 2022, mainly due to the increase in availability of raw materials for producing LNG products at the Luanxian plant, enabling more LNG products to be produced and sold in the first half of 2023. The revenue derived from other sales for the Reporting Period was approximately RMB10.39 million, representing an increase of approximately 18.80% as compared to approximately RMB8.74 million for same period in 2022. Such increase was primarily due to an increase in sales of bottled gas and growth in the natural gas station business.

Other income and other net gains

The other income of the Group for the Reporting Period amounted to approximately RMB47,000, representing a decrease of approximately 90.05% as compared to approximately RMB0.47 million for the same period in 2022. The decrease in other income was mainly due to the absence of government grants. The other net gains of the Group for the Reporting Period were approximately RMB2.84 million, representing a decrease of approximately 67.14% as compared to approximately RMB8.66 million for the same period in 2022, which was mainly due to the decrease in net foreign exchange gains.

Selling and marketing expenses

The selling and marketing expenses of the Group for the Reporting Period decreased by approximately 4.31% to approximately RMB0.91 million (same period in 2022: approximately RMB0.95 million).

Administrative expenses

The administrative expenses of the Group for the Reporting Period decreased by approximately 36.69% to approximately RMB25.24 million (same period in 2022: approximately RMB39.86 million). The decrease in administrative expenses was mainly due to the absence of legal and professional fees in relation to the resumption of trading in the Shares in the corresponding period last year.

Credit loss allowance for trade receivables

During the Reporting Period, the credit loss allowance for trade receivables was approximately RMB5.66 million, representing an increase of approximately 63.53% as compared to approximately RMB3.46 million for the same period in 2022, which was mainly due to the increase in overall trade receivables and trade receivables with ageing period of more than six months.

Finance costs, net

The net finance costs of the Group for the Reporting Period decreased by approximately 2.97% to approximately RMB12.64 million (same period in 2022: approximately RMB13.03 million), mainly due to the increase in interest income.

Income tax expense

The income tax expense of the Group for the Reporting Period decreased by approximately 17.96% to approximately RMB16.41 million (same period in 2022: approximately RMB20.00 million), mainly due to the utilisation of certain unrecognised accumulated tax losses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately RMB301.39 million as at 30 June 2023 (31 December 2022: approximately RMB360.74 million). As at 30 June 2023, the bank and other borrowings of the Group amounted to approximately RMB618.72 million (31 December 2022: approximately RMB585.79 million), which included bank borrowings of approximately RMB603.73 million (31 December 2022: approximately RMB572.53 million) and lease liabilities of approximately RMB14.99 million (31 December 2022: approximately RMB13.26 million). The bank borrowings bore interest rates at the loan prime rate +4.785% to +5.0% and the benchmark interest rate of 4.35% of the People's Bank of China. The Group's gearing ratio (calculated as total debt divided by total equity) was approximately 42.55% as at 30 June 2023 (31 December 2022: 42.27%). Net debt, calculated as total borrowing as well as lease liabilities less cash and cash equivalents, was approximately RMB317.33 million as at 30 June 2023 (31 December 2022: approximately RMB225.05 million). There were available credit facilities of approximately RMB567.45 million as at 30 June 2023, which can be utilised as additional liquidity of the Group.

The Group recorded total current assets of approximately RMB1,016.53 million as at 30 June 2023, representing an increase of approximately 2.60% as compared to approximately RMB990.79 million as at 31 December 2022; and total current liabilities of approximately RMB779.43 million as at 30 June 2023, representing a decrease of approximately 9.42% as compared to approximately RMB860.49 million as at 31 December 2022. The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was approximately 1.30 as at 30 June 2023 (31 December 2022: approximately 1.15).

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

RISK MANAGEMENT

The Group's principal financial instruments include financial assets at fair value through other comprehensive income, trade and other receivables and bank balances and cash, trade and other payables, borrowings and lease liabilities. The main purpose of these financial instruments is to support the Group's industrial gas business. The Group also has various financial assets and financial liabilities arising from its business operations. The principal risks arising from its financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group intends to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on its business and financial condition. The Group will not obtain collateral from counterparty.

As at 30 June 2023, the provision for impairment loss of approximately RMB13.79 million (31 December 2022: RMB8.14 million) was made for trade receivables as part of the trade receivables was considered to be subject to certain credit risk due to their ageing of over six months. The management of the Group also evaluated all available forward-looking information, including but not limited to the expected growth rate of the industry and the settlement and expected and concluded that there is no significant increase in credit risk. As at 30 June 2023, approximately 97% of trade receivables of the Group was payable by HBIS and its subsidiaries and their respective associates (excluding the Group) (the "**HBIS Group**") (31 December 2022: 97%). The credit period granted to the Group's customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed taking into account their financial position, past experience, business relationship with the Group and other factors. In view of the sound history of receivables, the management of the Group believes that the inherent credit risk of the Group's unsettled trade receivables balance is insignificant, however, an impairment provision has been made for trade receivables in accordance with the principle of prudence.

The Group aims to maintain its current assets at appropriate level and is committed to a capital limit. This ensures that the Group can satisfy its short term and long term liquidity needs. The Group had been following its liquidity policy during the Reporting Period, which has been effective in managing liquidity risk. The cash flow generated from the Group's operation is expected to be able to satisfy the Group's needs for cash flow in the future.

Foreign currency risk

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

Liquidity risk

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

Pledge of assets

As at 30 June 2023, certain property, plant and equipment of the Group amounting to approximately RMB16.42 million (31 December 2022: approximately RMB16.60 million) were pledged to banks for loan facilities granted to the Group.

TREASURY POLICIES

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 30 June 2023, the total capital commitments of the Group amounted to approximately RMB129.05 million (31 December 2022: approximately RMB126.13 million). They were mainly contracted commitments in respect of purchase of property, plant and equipment.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant event after the Reporting Period and up to the date of this announcement.

STAFF AND REMUNERATION POLICIES

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

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

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

The Group hired 354 employees in total as at 30 June 2023 (31 December 2022: 341 employees) with total staff costs of approximately RMB25.99 million for the Reporting Period (same period in 2022: approximately RMB29.90 million). The Group offers competitive remuneration packages to its employees.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering (as defined in the prospectus of the Company dated 16 December 2020) amounted to HK$315.9 million (equivalent to RMB298.1 million) (the "**IPO Proceeds**") after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering.

As at the date of this announcement, the Company had utilised RMB246,950,000 of the IPO Proceeds, representing approximately 83.0% of the IPO Proceeds. The amount of the unutilised IPO Proceeds is RMB50,553,000, representing approximately 17.0% of the IPO Proceeds. During the Reporting Period, the Company has not utilised the IPO Proceeds. As at the date of this announcement, there has not been any change to the intended use or allocation of the IPO Proceeds as disclosed in the Prospectus.

The Group will gradually utilise the IPO Proceeds in accordance with the intended purposes and the updated expected timeline as disclosed in the Prospectus and the Company's announcement dated 27 March 2023. The breakdown of the intended use and amount utilised as at 30 June 2023 were as follows:

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

CORPORATE GOVERNANCE

The Board recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Board is committed to achieving high standards of corporate governance with a view to safeguarding the interests of Shareholders as a whole. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has complied with all applicable code provisions set out in the CG Code throughout the Reporting Period.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry with the Directors, all Directors have confirmed that the required standards of the Model Code had been complied with throughout the Reporting Period.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period and this announcement. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters.

In addition, the independent auditor of the Company, BDO Limited, has reviewed the unaudited interim financial information of the Group for the Reporting Period 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.

ADDITIONAL INFORMATION RELATING TO THE QUALIFIED CONCLUSION

Reference is made to the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**"), where the Auditor issued a qualified opinion (the "**Qualified Opinion**") in connection with:

(i) the write-off of three fully provided overdue receivables of the Company during the year ended 31 December 2022. Such loan receivables were resulted from the three loan agreements entered into between the Company as lender and Company A, Company B and Company C separately as borrowers, with principal amounts of RMB50,000,000, RMB53,522,000 and RMB14,478,000, respectively, which were repayable on 30 December 2020 (the " **Loan Receivables**" or "**Loan Transactions**"). As disclosed in the Company's annual report for the year ended 31 December 2020, the Company had already made full provision on credit loss allowance for the Loan Receivables in its 2020 consolidated financial statements; and

(ii) the write-off of a fully provided interest bearing note investment of the Company during the year ended 31 December 2022. Such note investment, with principal amount of HK$80,000,000 (approximately RMB66,400,000) (the "**Note Investment**"), was resulted from a loan note agreement entered into between the Company and Company D, which was repayable on 17 December 2021. As disclosed in the Company's annual report for the year ended 31 December 2021, the Company has already made full provision on impairment loss for the Note Investment in its 2021 consolidated financial statements.

Specifically, the Auditor's Qualified Opinion on the Company's 2022 consolidated financial statements was relating to:

(i) whether the write-offs on the Loan Receivables and the Note Investment recognised during the year ended 31 December 2022 were free from material misstatement (the "**Write-offs Qualification**"); and

(ii) the Auditor's limitations on the scope of work on the comparability of the 2022 figures and the 2021 figures included in these consolidated financial statements. (the "**Comparative Figures Qualification**", together with the Write-offs Qualification, the "**Audit Qualifications**").

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

For the Reporting Period, the Auditor also issued a qualified review conclusion (the "**Qualified Conclusion**") on the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 in connection with the Transactions because of the possible effects of the above matters on the comparability of the figures for the current period and those for the six months ended 30 June 2022 in the unaudited interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of changes in equity and relevant notes disclosure in the financial statements (the "**Review Qualification**").

The Company acknowledged the above prior year's Audit Qualifications and Review Qualification issued by the Auditor in this regard.

Management's position and view on the Qualified Opinion and Qualified Conclusion

As disclosed in the 2022 Annual Report, during the preparation of the resumption proposal, which was submitted to the Stock Exchange on 13 May 2022 (the "**Resumption Proposal**"), the Board had been considering writing off, for financial reporting purposes, the outstanding balances of the Loan Receivables and the Note Investment against the corresponding credit loss allowance/impairment loss provision during the year then ending 31 December 2022. At that juncture, the Company had discussed with the Auditor and was given to understand that following the writing off of the Loan Receivables and the Note Investment for the year then ending 31 December 2022, barring any unforeseen circumstances, the Auditor (i) would consider to modify (and subsequently modified) its opinion for the Group's consolidated financial statements for the year then ending 31 December 2022 due to the fact that the related figures in the 2021 consolidated financial statements might not be comparable, which is an inevitable audit consequence as a result of the qualified opinion issued by the Auditor in respect of the annual report for the year ended 31 December 2021 (the "**2021 Annual Report**"); and (ii) would take into account all information available as at the next financial report date to form its audit opinion for future year.

In respect of the ongoing effect of the Qualified Opinion, the Board and the Audit Committee were further given to understand from the Auditor that, in addition to the above, barring from unforeseen circumstances, the Auditor would consider to completely remove the Audit Qualifications for the financial year ending 31 December 2024 and the succeeding years as and when those succeeding years' consolidated financial statements no longer carry any balances or disclosure in relation to the prior years' Audit Qualifications.

Subsequent to the write-offs of the outstanding balances of the Loan Receivables and the Note Investment against the corresponding credit loss allowance/impairment loss provision for the year ended 31 December 2022, the Auditor has expressed (i) a Qualified Opinion for the Company's 2022 consolidated financial statements due to the fact that the related comparative figures for the year ended 31 December 2021 in the consolidated financial statements may not be comparable which is an inevitable audit consequence as a result of the Auditor's Qualified Opinion in respect of the 2021 Annual Report, and (ii) a Qualified Conclusion for the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 due to the fact that the related comparative figures for the six months ended 30 June 2022 in the unaudited interim condensed consolidated financial statements may not be comparable which is an inevitable review consequence as a result of the Qualified Conclusion issued by the Auditor in respect of the interim report for the six months ended 30 June 2022.

For the Reporting Period, the Company's management and Audit Committee has maintained continual communications with the Auditor in this respect. Based on the recent communication between the Audit Committee and the Auditor on 25 August 2023, there have been no changes in the management's position and view in respect of the Audit Qualifications and the Review Qualification, and the Company's management acknowledged that:

(i) the inherent limitations on the scope of the Auditor's work to ascertain the nature of the Loan Transactions and the Note Investment for the year ended 31 December 2021 and the audit scope limitations remained unresolved during their audit of the consolidated financial statements for the year ended 31 December 2022. Such prior years' limitations remained unresolved during their review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023; and

(ii) the Auditor's limitations on the scope of work on the comparability of the current period's figures and the 2022 period's figures included in the relevant prior years' consolidated financial statements.

As at the date of this announcement, the Board is given to understand that there has been no change in the Auditor's preliminary view (details as disclosed in the 2022 Annual Report). The Auditor's view on the removal of Audit Qualifications is as follows:

(a) Write-offs Qualification is not a permanent qualification. Such audit qualification (i.e. relating to a balance sheet note for 2022) will become a comparative figure qualification in the financial statements for the year ending 31 December 2023 (the "**2023 Comparative Figures Qualification**"), and therefore is expected to be removed in the consolidated financial statements of the Company for subsequent years thereafter (Please see the point below regarding 2023 Comparative Figures Qualification for further explanation).

(b) 2023 Comparative Figures Qualification is not a permanent qualification. Barring any unforeseen circumstances, the 2023 Comparative Figures Qualification is expected to be removed in the condensed consolidated financial statements of the Company for the six months ending 30 June 2024 and the consolidated financial statements of the Company for the year ending 31 December 2024.

The Company has a clear roadmap towards removing the prior year's Audit Qualifications and Review Qualification. The Company's Board and management have been working and will continue to work closely with the Auditor in this respect.

Audit Committee's view on the Qualified Opinion and Qualified Conclusion

Based on the discussion with the Auditor, the Audit Committee agreed with the view of the Company's management as set out above. The Audit Committee has maintained on-going thorough discussions with the Auditor regarding the Audit Qualifications and Review Qualifications, and has been given to understand that the Auditor's view as stated above remained unchanged based on the findings from their review for the Reporting Period. There is also no disagreement between the Audit Committee's and the Board's position.

EXTRACT OF INDEPENDENT AUDITOR'S REVIEW REPORT

Scope of Review

Except as explained in the "Basis for Qualified Conclusion" paragraph below, 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.

Basis for Qualified Conclusion

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

The loan receivables ("**Loan Receivables**") were measured at amortised cost. As at 31 December 2020, 2021 and 2022, repayment of the principal balances and interests thereon under the Loan Agreements were overdue. Repayments of these balances remained outstanding up to the date of this report. The board of directors of the Company (the "**Board**") determined that full loss allowance of the outstanding principal balances of RMB118,000,000 in aggregate should be provided. Accordingly, a loss allowance of RMB118,000,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020. The resultant amortised costs of the Loan Receivables became RMB Nil as at 31 December 2020 and these amounts were brought forward to 31 December 2021. During the year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Loan Receivables and fully wrote off the Loan Receivables. Details of the write-off are disclosed in Note 15 in the interim condensed consolidated financial statements for the six-month period ended 30 June 2023.

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

The Note Investment was measured at amortised cost. As at 31 December 2021 and 31 December 2022, repayment of the principal balance and interests thereon under the Loan Note Agreement was overdue. Repayment of this balance remained outstanding up to the date of this report. During the year ended 31 December 2021, the Board determined that full loss allowance of the outstanding principal balance of RMB66,400,000 in aggregate should be provided. Accordingly, a loss allowance of RMB66,400,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2021. The resultant amortised cost of the Note Investment became RMB Nil as at 31 December 2021. During the period ended 30 June 2022 and year ended 31 December 2022, the Board determined that there is no reasonable expectation of recovering the Note Investment and fully wrote off the Note Investment. Details of the write-off are disclosed in Note 16 in the interim condensed consolidated financial statements for the six-month period ended 30 June 2023.

Since our audit for the consolidated financial statements for the year ended 31 December 2020, our knowledge relating to the Loan Transactions and the Note Investment ("**our Knowledge**") includes:

(i) the Group engaged in the production and supply of industrial gases. The Loan Transactions and the Note Investment are transactions outside the normal course of business of the Group;

(ii) the Loan Transactions and the Note Investment were approved by the ex-Chairman of the Board (the "**ex-Chairman**") who was also an executive director of the Company (being removed as the Chairman of the Board and the executive director on 3 May 2022 and 5 May 2022, respectively). According to the Company's internal control policies and procedures, due to the amounts of the Loan Transactions and the Note Investment, the Loan Transactions and the Note Investment should have been approved by the Board;

(iii) the Company had not performed background check and due diligence on the Borrowers and Company D before entering into the Loan Transactions and the Note Investment;

(iv) the Company had set aside funds in a bank account for distributions to its shareholders to settle the dividends payable to them. To change the use of these designated funds would need the approval by the Board. Without prior approval by the Board, the ex-Chairman instructed the transfer of these designated funds to the Borrowers and Company D to fulfil the Company's commitment in the Loan Agreements and the Loan Note Agreement; and

(v) as at the date of this report, there were no repayments from the Borrowers and the balance due from Company D was outstanding.

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

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

We modified our review conclusion on the Group's interim condensed consolidated financial statements for the six months ended 30 June 2022 and our audit opinion on the Group's consolidated financial statements for the year ended 31 December 2022 because we were unable to conclude whether the write-offs on the Loan Receivables and the Note Investment recognised during the period ended 30 June 2022 and the year ended 31 December 2022 which arose from the limitations on the scope of our work to ascertain the nature of the Loan Transactions and the Note Investment are free from material misstatement. Any adjustment that might be found necessary would have a consequential impact on the financial performance for the six months ended 30 June 2022 and the year ended 31 December 2022, the financial position as at 1 January 2022 and the disclosures thereof in the interim condensed consolidated financial statements for the period ended 30 June 2022 and the consolidated financial statements for the year ended 31 December 2022.

Our review conclusion on the Company's interim condensed consolidated financial statements for six months period ended 30 June 2023 is modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures for the six months ended 30 June 2022 in the interim condensed consolidated statement of comprehensive income.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in the "Basis for Qualified Conclusion" paragraph above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2023 (2022: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cgiihldgs.com). The interim report of the Company for the six months ended 30 June 2023 will be despatched to the Shareholders and published on the aforesaid websites in late September 2023.

By order of the Board
China Gas Industry Investment Holdings Co. Ltd.
Yao Li
Chairman and Executive Director

Tangshan, 25 August 2023

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