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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8246)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

The board of Directors (the “Board”) of the Company announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 (the “Current Year”), together with the audited comparative figures for the previous year ended 31 December 2021 (the “Previous Year”) as follows:

FINANCIAL HIGHLIGHTS

	2022		2021		Increase/ (decrease)
	<i>RMB'000</i>	<i>HKD'000#</i>	<i>RMB'000</i>	<i>HKD'000*</i>	
Revenue	200,529	224,492	420,656	514,504	(52.3%)
Gross loss ^(a)	(7,949)	(8,899)	(7,029)	(8,597)	13.1%
Loss and total comprehensive income for the year	(3,739)	(4,186)	(213,585)	(261,236)	(98.2%)
Loss and total comprehensive income attributable to owners of the Company	(5,254)	(5,882)	(191,311)	(233,992)	(97.3%)
Loss before tax	(3,695)	(4,137)	(209,590)	(256,350)	(98.2%)
Gain/(loss) before tax and depreciation	10,855	12,152	(194,751)	(238,200)	(105.6%)
Loss per share					
Basic and diluted	RMB(0.001)	HK\$(0.001)	RMB(0.053)	HK\$(0.065)	(98.1%)
Dividend	Nil	Nil	Nil	Nil	N/A
	As at 31.12.2022		As at 31.12.2021		Decrease
	<i>RMB'000</i>	<i>HKD'000#</i>	<i>RMB'000</i>	<i>HKD'000*</i>	
Total assets	346,729	388,163	358,922	438,997	(3.4%)
Net assets	142,953	160,036	144,692	176,973	(1.2%)
Cash and cash equivalents	38,752	43,383	60,769	74,327	(36.2%)
Equity attributable to owners of the Company	109,789	122,909	115,043	140,709	(4.6%)
Key Financial Indicators	2022		2021		
Gross loss margin ^(b)	(4.0%)		(1.7%)		
Net loss margin ^(c)	(1.9%)		(50.8%)		
Loss on average equity ^(d)	(4.7%)		(91.6%)		
Current ratio (times) ^(e)	1.5		2.2		
Net gearing ratio ^(f)	59.5%		54.5%		

Notes:

- (a) The calculation of gross loss is based on revenue minus cost of sales.
- (b) The calculation of gross loss margin is based on gross loss divided by revenue.
- (c) The calculation of net loss margin is based on loss for the year divided by revenue.
- (d) The calculation of loss on average equity is based on loss attributable to owners of the Company divided by average equity attributable to owners of the Company.
- (e) The calculation of current ratio is based on current assets divided by current liabilities.
- (f) The calculation of net gearing ratio is based on convertible bonds divided by total equity.
- # Converted to HK\$ at exchange rate of RMB1 = HK\$1.1195 on 31 December 2022 for reference.
- * Converted to HK\$ at exchange rate of RMB1 = HK\$1.2231 on 31 December 2021 for reference.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

		2022	2021
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	200,529	420,656
Cost of sales		(208,478)	(427,685)
Gross loss		(7,949)	(7,029)
Other income	5	9,574	9,311
Other (losses)/gains	6	(10,192)	9,237
Reversal of allowance/(allowance of impairment) on trade receivables		29,394	(195,398)
Administrative expenses		(24,297)	(25,397)
Loss from operations		(3,470)	(209,276)
Finance costs	7	(225)	(314)
Loss before tax		(3,695)	(209,590)
Income tax expense	9	(44)	(3,995)
Loss and total comprehensive income for the year	10	(3,739)	(213,585)
Attributable to:			
Owners of the Company		(5,254)	(191,311)
Non-controlling interests		1,515	(22,274)
		(3,739)	(213,585)
Loss per share attributable to owners of the Company			
Basic and diluted	12	RMB(0.001)	RMB(0.053)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>NOTE</i>	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		44,002	50,593
Investment properties		3,780	9,910
Right-of-use assets		2,804	5,693
Deposits		410	707
		<u>50,996</u>	<u>66,903</u>
Current assets			
Trade and other receivables	<i>13</i>	256,981	231,250
Cash and cash equivalents		38,752	60,769
		<u>295,733</u>	<u>292,019</u>
Total current assets		<u>295,733</u>	<u>292,019</u>
TOTAL ASSETS		<u>346,729</u>	<u>358,922</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,724	3,724
Reserves		106,065	111,319
		<u>109,789</u>	<u>115,043</u>
Non-controlling interests		33,164	29,649
		<u>142,953</u>	<u>144,692</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,090	2,905
Convertible bonds	<i>14</i>	—	78,796
		<u>1,090</u>	<u>81,701</u>
Current liabilities			
Trade and other payables	<i>15</i>	114,403	127,966
Contract liabilities		—	289
Convertible bonds	<i>14</i>	85,096	—
Lease liabilities		1,815	2,921
Income tax payables		1,372	1,353
		<u>202,686</u>	<u>132,529</u>
Total current liabilities		<u>202,686</u>	<u>132,529</u>
TOTAL LIABILITIES		<u>203,776</u>	<u>214,230</u>
TOTAL EQUITY AND LIABILITIES		<u>346,729</u>	<u>358,922</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

2. GOING CONCERN BASIS

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

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

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

(a) Application of new and revised IFRSs

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

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

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

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

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

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

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

4. REVENUE

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

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

5. OTHER INCOME

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

Note:

Included in the government subsidies during the year consist of:

- (a) a sum of RMB28,000 (2021: RMB58,000) from the PRC's local government for employment support and encouragement of its New Energy Business. There are no specific conditions attached to the incentives and, therefore the Group recognised the incentives upon receipt.
- (b) a sum of RMB327,000 (2021: RMB Nil) which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

6. OTHER (LOSSES)/GAINS

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

7. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on lease liabilities	<u>225</u>	<u>314</u>

8. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as the Group’s accounting policies.

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

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

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

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

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

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

	2022 RMB'000	2021 RMB'000
Customer A (New Energy Business)	185,516	160,791
Customer B (New Energy Business)	—	188,902
Customer C (New Energy Business)	—	61,151
	<u><u>185,516</u></u>	<u><u>410,844</u></u>

9. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

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

10. LOSS FOR THE YEAR

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

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

11. DIVIDENDS

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

12. LOSS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	<u>(5,254)</u>	<u>(191,311)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>3,666,936</u>	<u>3,626,800</u>

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

14. CONVERTIBLE BONDS

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

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

The movement of the convertible bonds is as follows:

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

15. TRADE AND OTHER PAYABLES

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

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

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

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

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

16. CONTINGENT LIABILITIES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

New Energy Business

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

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

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

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

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

Property Investments

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

FINANCIAL REVIEW

Revenue

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

Cost of Sales

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

Gross (Loss)/Profit Margin

	2022	2021
New Energy Business	(4.2%)	(1.8%)
Property Investments	100%	100%
Group total	<u>(4.0%)</u>	<u>(1.7%)</u>

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

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

Other (Losses)/Gains

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

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

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

Loss and Total Comprehensive Income Attributable to Owners of the Company

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

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

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

New Energy Business

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

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

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

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

Property Investments

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

FUNDRAISINGS THROUGH ISSUANCE OF CONVERTIBLE BONDS

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

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

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

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

USE OF PROCEEDS

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

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

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

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

CAPITAL STRUCTURE

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

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

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

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 16 to the consolidated financial statements in this announcement.

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

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

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

PLEDGE OF ASSETS

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

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

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

PROSPECTS

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

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

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

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

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

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

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

OTHER INFORMATION

Audit Committee

The audit committee of the Company (the “Audit Committee”) was established to review the Group’s financial reporting, corporate governance reporting process, internal audit functions, internal control system, risk management matters and make relevant recommendations to the Board.

The current Audit Committee has three members comprising all the independent non-executive Directors, namely, Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen. The Group’s annual report and results announcement for the year ended 31 December 2022 has been reviewed by the Audit Committee, which was of the opinion that such reports and results were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company’s progress in implementing the code provisions of corporate governance code as required under the GEM Listing Rules.

Scope of Work Performed by Auditor

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

Compliance with the Corporate Governance Code

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

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

Compliance with the Required Standards of Dealings in Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Environmental, Social and Governance Report

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

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

Communication with Shareholders and Investor Relations

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

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

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

Hong Kong, 24 March 2023

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

This announcement will remain on the GEM website at www.hkgem.com and, in the case of this announcement, on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.8246hk.com.