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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8117)

ANNUAL REPORT 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

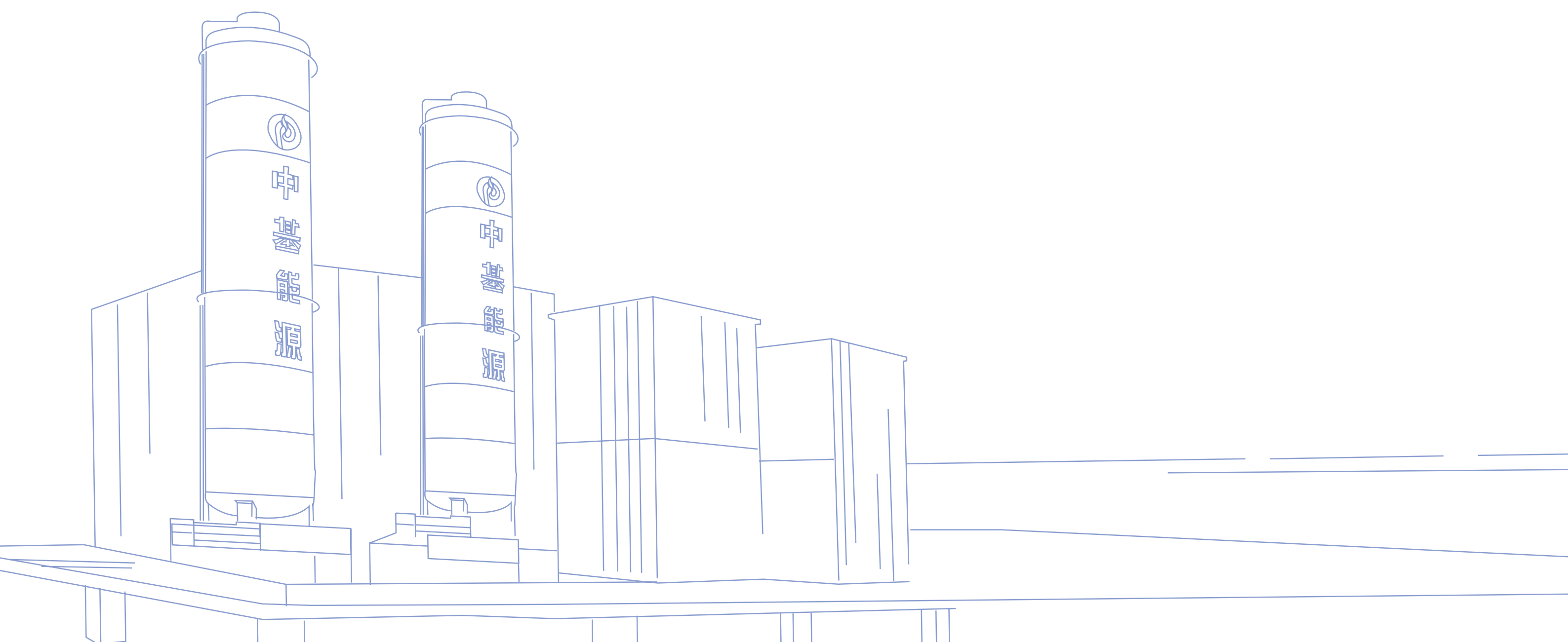
Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market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

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

Contents

Expressed in Hong Kong dollars ("HK$")

\# for identification only



Corporate Information

Board of directors

Executive Directors

Ms. Ma Zheng *(Chairman)*
Mr. Yuan Geng

Non-Executive Director

Mr. Ji Jianghua

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Sung Ren Keh

Registered office, head office and principal place of business

Registered office

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

Head office and principal place of business

Room 518, 5/F, Tower B
New Mandarin Plaza
14 Science Museum Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Company secretary

Mr. Wong Chun Sing

Compliance officer

Mr. Yuan Geng

Audit committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Sung Ren Keh

Nomination committee

Mr. Chung Chin Keung *(Chairman)*
Mr. Wan Tze Fan Terence
Mr. Sung Ren Keh

Remuneration committee

Mr. Chung Chin Keung *(Chairman)*
Mr. Wan Tze Fan Terence
Mr. Sung Ren Keh

Authorised representatives

Ms. Ma Zheng
Mr. Yuan Geng

Principal bankers

China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited

Cayman Islands principal share registrar and transfer office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Stock code

8117

Website

https://china-p-energy.etnet.com.hk

Cayman Islands assistant secretary

Conyers Trust Company (Cayman) Limited

Auditor

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Chairman's Statement

It is my pleasure to present the annual results of China Primary Energy Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2022.

Operation

In 2022, the Coronavirus disease ("COVID-19") continued to bring impact to the world. However, after three years of time, its threat and influence have been significantly reduced and it was treated as a kind of flu-like virus since later part of 2022. In such situation, the world economy began to rebound in 2022 but the rebound of the world economy has not been uniform across all countries, with some experiencing a more significant recovery than others. The rebound of the world economy after COVID-19 has been a gradual process, but it is gaining momentum. With the development of vaccines and the easing of restrictions, businesses and individuals are returning to normal life, which has led to an increase in economic activity. The People's Republic of China (the "PRC") has successfully recovered from the impact of the disease under its policy against the disease. As a result, the impact of the COVID-19 to the Group was minimised as significant parts of our businesses were operating in the PRC.

The Group continued to strengthen its core businesses and operated in major locations in Yichang, Fujian and Wuhu of the PRC in 2022. In Yichang, the investment properties of the industrial park were totally let out. These investment properties continued to contribute stable rental income to the Group. Moreover, the preparation of the clean energy business in Yichang was at final stage and with our experience in the energy sector, we believe we can develop another successful clean energy operation in Yichang. The cooperation with Beijing Jingneng Clean Energy Co. Ltd was on schedule and the construction of the natural gas facilities continued. We are optimistic that the natural gas combined heat and power cogeneration project can provide contribution to the Group soon.

Our existing natural gas segment expanded and performed well and the transmission and distribution of natural gas continued to be the core business segment of the Group in 2022. Natural gas is currently the major clean energy that most countries, include the PRC, in the world are using and the extent of usage is growing rapidly. In recent years, the PRC government has announced its policy to encourage businesses and citizens to use clean energy in which natural gas is the most promoted energy of all. The policy has benefited the Group's natural gas business in the PRC. In 2022, the Group mainly operated natural gas business in Fujian and Wuhu. As mentioned above, Yichang will be the another major natural gas business location in 2023.

The biomass gasification heating plant and relevant facilities in Huaining Country, Anhui Province was growing stable. This is a subsection of our clean energy business. Biomass gasification heating is a relative new kind of energy business in the PRC and we are optimistic that such business will be well developed, especially the demand of heat energy is high in Anhui Province.

Chairman's Statement

Results

The increase of revenue in 2022 when compare to 2021 was mainly due to the increase of revenue of the natural gas business especially in first half of 2022 and the full year contribution of the biomass gasification heating business. Although the Group incurred loss in 2022, we believe we will perform much better in the near future.

Future Development

Definitely, after years of changes, the Group is heading for the right direction. Clean energy business is and will continue to be our core business. With the new development of the clean energy business, we are expanding our market share in the industry and is looking for every opportunity to growth.

As anticipated, COVID-19 was under control and things are getting back to normal. As mentioned above, the impact of COVID-19 to the Group is not so direct and significant as our business of natural gas distribution and property investment rely more customers' internal demand and natural gas is a necessity resource. Nevertheless, the Company will closely monitor the situation and assess if there is any impact on the Group's operations and operating results.

Being the Chairman of the Company, I will continue to lead the Board and monitor the management to achieve our goal. I strongly believe that with the continuous efforts and support of the management team and business partners, the target of the Group is to become one of the leading clean energy operators in certain cities and areas of the PRC. In the meantime, as mentioned several times before, we are still investigating for every possible investing opportunities to increase the Company's value. In this respect, I can assure you that the shareholders' return will be increased in the near future.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, fellow directors, staff, customers, suppliers, professional advisers and business partners for their ongoing support and contributions. 2022 was an uneasy year and 2023 will definitely a challenging year but, with the strong commitment and contribution from all of you, I believe the Group can achieve its goal.

MA ZHENG
Chairman

Hong Kong, 22 March 2023

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE OUTLOOK

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

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

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

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

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

BUSINESS OUTLOOK AND PROSPECTS

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

FUNDING ACTIVITIES DURING THE YEAR

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

Management Discussion and Analysis

GEARING RATIO

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

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

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to this financial statements.

CAPITAL STRUCTURE

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

SIGNIFICANT INVESTMENTS/FUTURE PLANS FOR MATERIAL INVESTMENTS

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

EMPLOYEE INFORMATION

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

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE CODE

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

Code Provision C.2.1

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

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

Biographical Details of Directors and Senior Management

Directors

Ms. Ma Zheng, aged 56
Chairman and Executive Director
Ms. Ma joined the Group in February 2004. She is currently the chairman and the major shareholder of the Company. Ms. Ma has over 33 years of experience in international trade, electronic industry and corporation management. She graduated from Wuhan University majoring in construction structure engineering.

Mr. Yuan Geng, aged 57
Executive Director
Mr. Yuan joined the Group in 2013 as the Vice President of the Company and Executive President of the mainland group. Mr. Yuan has appointed as executive director of the Company on 18 February 2021. He holds a doctor of engineering degree and a master degree in management. Mr. Yuan has over 32 years of experience of operating and technical management in the energy sector and he is currently an executive director of the China Gas Society. Mr. Yuan had worked for a Hong Kong listed company – China Gas Holdings Limited as chief engineer, and various energy related companies in the PRC prior to his joining the Group. He is also the compliance officer of the Company.

Mr. Wong Pui Yiu, aged 60
Executive Director (retired on 1 February 2022)
Mr. Wong joined the Group in February 2008. He has several years of experience in business administration and corporate management. Before joining the Group, he was the general manager of Smart Honest Group Limited, a distributor of semiconductors.

Mr. Ji Jianghua, aged 43
Non-executive Director
Mr. Ji joined the Group in June 2018. Mr. Ji joined China Vanke Co., Ltd.[#] ("China Vanke") (Shenzhen Stock Exchange: stock code 000002, The Stock Exchange of Hong Kong Limited: stock code 2202) in May 2005 and is now the deputy general manager of the board of directors' office of China Vanke. Before joining China Vanke, he worked as a researcher at Shanghai Jinxin Securities Research Institute Co., Ltd. from August 2004 to May 2005. Mr. Ji graduated from the Tianjin Institute of Finance and Economics (currently Tianjin University of Finance and Economics) in 2001 with a Bachelor's degree in Management. He graduated from Shanghai University in 2004 with a Master's degree in Economics.

Biographical Details of Directors and Senior Management

Mr. Wan Tze Fan Terence, aged 58
Independent Non-executive Director
Mr. Wan joined the Group in March 2004. Mr. Wan holds a bachelor degree of commerce and a master degree of business administration. Mr. Wan has years of experience in accounting and financial management and has worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. Wan is currently an executive director and chief financial officer of Sino Oil and Gas Holdings Limited (stock code: 702) which is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Chung Chin Keung, aged 55
Independent Non-executive Director
Mr. Chung joined the Group in February 2008. Mr. Chung holds a bachelor degree in Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. He has more than 30 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Sung Ren Keh, aged 59
Independent Non-executive Director (appointed on 1 March 2023)
Mr. Sung Ren Keh holds a master degree of engineering in manufacturing management from University of South Australia and a bachelor degree in mechanical engineering from Chung Cheng Institute of Technology, Taiwan. He has over 18 years of management and operating experience in new energy and wireless communication domain from companies in the PRC, USA and Taiwan. He was the vice chairman of Ningbo Shanshan Bada Power Train Co., Ltd., and was a manufacturing consultant of 24M technologies Inc., USA for semi-solid Li battery factory design in the PRC.

Mr. Wang Xiao Bing, aged 55
Independent Non-executive Director (resigned on 1 March 2023)
Mr. Wang joined the Group in March 2012. Mr. Wang holds a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in the PRC. He has over 21 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of the PRC and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

Senior management

Mr. Wong Chun Sing, aged 52
Financial Controller and Company Secretary
Mr. Wong joined the Group in April 2008. Mr. Wong holds a master degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Wong has over 29 years of management experience in the accounting and finance sector and he had worked for an international accounting firm, listed companies and securities and finance companies in Hong Kong.

The Directors herein present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in (i) transmission and distribution of natural gas; (ii) sales of heat and biomass gasification related products; and (iii) property investment in the PRC. Details of the principal activities of its subsidiaries are set out in Note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segment is set out in Note 7 to the financial statements.

Business review and future development

Business review of the operations of the Group for the year ended 31 December 2022 and outlook and future prospects are set out in the separate Environmental, Social and Governance (the "ESG") Report 2022 (the "ESG Report") and the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report.

The above sections or reference form part of the Directors' Report.

Results and appropriations

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 43 to 134.

The Board does not recommend the payment of any dividend.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 33 to the financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 44 to the financial statements, respectively.

Distributable reserves

As at 31 December 2022 and 2021, the Company had no retained profit available for distribution to shareholders of the Company. However, in accordance with the laws of the Cayman Islands and the Company's articles of association (the "Articles of Association"), the share premium account of HK$714,488,000 is, subject to solvency test, available for distribution to shareholders of the Company.

Directors' Report

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

Particulars of investment properties

A summary of the particulars of investment properties is set out on page 135.

Pre-emptive rights

There is no provision for pre-emptive rights under the Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Dividend policy

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Articles of Association and the distribution shall achieve continuity, stability and sustainability.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's earnings per share, the reasonable return in investment of the investors and the shareholders in order to provide incentive to them to continue to support the Group in their long-term development, the financial conditions and business plan of the Group, and the market sentiment and circumstances.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136.

Purchase, sale or redemption of securities

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

Directors' Report

Directors

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

Executive Directors

Ms. Ma Zheng
Mr. Yuan Geng
Mr. Wong Pui Yiu *(retired on 1 February 2022)*

Non-Executive Director

Mr. Ji Jianghua

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Sung Ren Keh *(appointed on 1 March 2023)*
Mr. Wang Xiao Bing *(resigned on 1 March 2023)*

In accordance with article 84(1) of the Articles of Association, Ms. Ma Zheng and Mr. Wan Tze Fan Terence, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Beside, pursuant to article 83(3) of the Articles of Association, Mr. Sung Ren Keh being independent non-executive Director appointed on 1 March 2023, will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting.

Pursuant to the code provision B.2.3 of the Code as set out in Appendix 15 of the GEM Listing Rules, any further appointment of independent non-executive director serving more than 9 years should be subject to a separate resolution to be approved by the Shareholders.

As at the date of this annual report, it is noted that two independent non-executive Directors, Mr. Wan Tze Fan Terence and Mr. Chung Chin Keung have served the Board for more than nine years. In view of the professional qualifications and extensive experience of each of Mr. Wan Tze Fan Terence and Mr. Chung Chin Keung in the accounting, financial management field and legal field respectively, the Board believes that they are capable of providing constructive contributions in relation to the Company's affairs. The Board considers that Mr. Wan Tze Fan Terence and Mr. Chung Chin Keung continue to be independent as they satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules. As at the date of this annual report, Mr. Wan Tze Fan Terence has served the Board for 19 years and Mr. Chung Chin Keung has served the Board for 15 years.

Subject to compliance with relevant GEM Listing Rules requirements, all other remaining Directors will continue in office.

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association and code provision B.2.2 of the Code as set out in Appendix 15 of the GEM Listing Rules.

Mr. Wan Tze Fan Terence is an independent non-executive Director and was appointed without a specific term.

Directors' Report

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 11 and 12.

Director's service contract

Ms. Ma Zheng and Mr. Yuan Geng, executive Directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2022 and 18 February 2023 respectively. They are subject to termination by either party giving not less than three months' written notice. Their service contracts are exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules.

Independence of independent non-executive directors

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors' interests

No contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

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

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 31 December 2022.

Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2022:

	Number of ordinary shares held		
Name of Directors	**Type of interests**	**Number of ordinary shares**	**Approximate percentage of interests**
Ms. Ma Zheng	Beneficial	371,301,632	36.26%
Mr. Yuan Geng	Beneficial	20,350,633	1.99%

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Share option

On 8 May 2012, a share option scheme (the "Old Share Option Scheme") was adopted by the shareholders of the Company. The Old Share Option Scheme is valid and effective for a period of ten years commencing on the date on which it was adopted. The Old Share Option Scheme expired on 8 May 2022. Therefore, all the 159,268,743 outstanding options granted under the Old Share Option Scheme were lapsed.

A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting of the Company (the "2022 AGM") held on 17 May 2022 (the "Adoption Date"). There is no material difference in terms between the Old Share Option Scheme and the Share Option Scheme.

The Share Option Scheme which complies with Chapter 23 of the GEM Listing Rules. The Share Option Scheme is valid and effective for a period of ten years commencing on the Adoption Date.

The purpose of the Share Option Scheme is to provide incentives and/or rewards to Eligible Participants (as defined below) for their contribution to the growth of the Group and continuing efforts to promote the interests of the Group, and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

The definition of Eligible Participants in the Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any suppliers, consultants, agents and advisers who, in the reasonable discretion of the Board, has contributed or may contribute to the Group eligible for options (the "Options") under the Share Option Scheme.

Whilst the scope of the Eligible Participants does not limit to the employees and directors of the Group, the Company considers that there can be circumstances when the other Eligible Participants would make contribution to the Group. As the purpose of the Share Option Scheme is to recognise contributions made and to be made to the growth and development of the Group, the Company is of the view that the wide scope of Eligible Participants will allow flexibility to provide incentives to those Eligible Participants who will contribute to the Group. Granting Options to suppliers and agents of the Group will assist the Group to build its business network and consultants and advisers of the Group may provide valuable advices to the Group and they can be eligible to the Options in light of such advices. The Company will not grant Options to persons who would not or may not contribute to the Group.

The rules of the Share Option Scheme provide that the Company may specify the Eligible Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the Share Option Scheme. There is no performance target specified in the Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Participants to acquire proprietary interests in the Company.

As at 31 March 2022, being the latest practicable date prior to the printing of the circular dated 1 April 2022, the Company has 1,023,987,439 issued Shares. The number of Shares issuable pursuant to the Share Option Scheme was 102,398,743 Shares, representing 10% of the number of issued share capital of the Company as at 31 March 2022.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the Share Option Scheme at the 2022 AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and another other schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% Scheme Mandate Limit (as defined in the Share Option Scheme) on the basis that the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any Options outstanding and yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. Having taken into accounts of the outstanding Options, which are less than 10% of the total number of shares in issue, the Company is of the view that the 30% threshold requirement can be met.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. The life of the Share Option Scheme shall be for ten years commencing from the Adoption Date. A nominal value of HK$1.00 is payable on acceptance of each grant of share options.

No Options were granted by the Company and no Options were exercised during the year under review.

A circular containing, among other things, further details of the Share Option Scheme has been dispatched to the shareholders of the Company on 1 April 2022.

Details of the share options granted by the Company under the Old Share Option Scheme to eligible persons and movement in such holding during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share	Number of share options					
				Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2022 (Note (i))
			HK$						
Directors									
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	820,000	–	–	820,000	–	–
Mr. Wong Pui Yiu *(Note (ii))*	10 April 2015	1 April 2018 – 7 May 2022	0.87	3,500,000	–	–	3,500,000	–	–
Mr. Yuan Geng	10 April 2015	1 April 2018 – 7 May 2022	0.87	8,000,000	–	–	8,000,000	–	–
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 –7 May 2022	0.87	700,000	–	–	700,000	–	–
Mr. Chung Chin Keung	10 April 2015	1 April 2018 –7 May 2022	0.87	700,000	–	–	700,000	–	–
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 –7 May 2022	0.87	700,000	–	–	700,000	–	–
Sub-total				**14,420,000**	**-**	**-**	**14,420,000**	**-**	**-**
Others									
Employees	10 April 2015	1 April 2018 –7 May 2022	0.87	42,450,000	–	–	42,450,000	–	–
Sub-total				**42,450,000**	**-**	**-**	**42,450,000**	**-**	**-**
Total				**56,870,000**	**-**	**-**	**56,870,000**	**-**	**-**

Notes:

(i) The Old Share Option Scheme expired on 8 May 2022. All outstanding share options lapsed on 8 May 2022.

(ii) On 1 February 2022, Mr. Wong Pui Yiu retired as an executive director of the Company and the related 3,500,000 share options were lapsed upon his retirement.

Directors' Report

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2022, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interests set out below is based on 1,023,987,439 ordinary shares in issue as at 31 December 2022.

Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2022:

Name of shareholders	**Type of interests**	**Number of the shares held**	**Approximate percentage of interests**
Ms. Guo Xiuqin	Corporate	123,867,678	12.10%
Tung Shing Energy Investment Limited	Corporate	123,867,678	12.10%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	12.10%
Mr. Ji Shengzhi	Corporate	110,000,000	10.74%
Ms. Lu Ke	Corporate	110,000,000	10.74%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	10.74%
萬科企業股份有限公司	Corporate	93,089,767	9.09%
成都萬科房地產有限公司	Corporate	93,089,767	9.09%
Chogori Investment (Hong Kong) Limited	Corporate	93,089,767	9.09%
Winsteria (BVI) Company Limited	Corporate	93,089,767	9.09%
Winmaxi (BVI) Company Limited	Beneficial (Note 3)	93,089,767	9.09%

Notes:

1. Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.

2. Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.

3. Winmaxi (BVI) Company Limited ("Winmaxi") is a company incorporated in the British Virgin Islands with limited liability and is a subsidiary of China Vanke Co., Ltd.# (萬科企業股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited.

   Winmaxi is wholly-owned by Winsteria (BVI) Company Limited, which in turn is wholly-owned by Chogori Investment (Hong Kong) Limited, which in turn is wholly-owned by 成都萬科房地產有限公司, while 成都萬科房地產有限公司 is a controlling subsidiary of 萬科企業股份有限公司.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major customers and suppliers

Sales to the Group's five largest customers accounted for approximately 79% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 67%.

Purchases from the Group's largest supplier accounted for approximately 49% of the total purchases for the year and the five largest suppliers accounted for approximately 73% of the Group's total purchases for the year.

None of the Company's Directors or their respective associates (as defined in the GEM Listing Rules) or the existing shareholders, which, to the knowledge of the Directors holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during 2022.

Corporate governance

A report on the principal corporate governance practice adopted by the Company is set out on pages 26 to 36 of this annual report.

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provisions D.3.3 and D.3.7 of the Code. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the Audit Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's quarterly, interim and annual reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2022, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2022 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group's remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the year under review, the Remuneration Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Nomination committee

The nomination committee of the Company (the "Nomination Committee") was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. During the year under review, the Nomination Committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Connected and related party transactions

Details of the related party transactions during the year are included in Note 39 to the financial statements. The Directors are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary course of business and did not require reporting pursuant to Chapter 20 of the GEM Listing Rules.

Competition and conflict of interests

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

Principal risks and uncertainties

The Group's financial condition, results of operations, business and prospects would be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks.

Starting from 2014, the Group operated natural gas business in the PRC. The demand of the natural gas business mainly relies on the PRC government policy on energy and the supply of natural gas from natural gas producers. The natural gas price fluctuates and is determined by the global environment which is a major uncertainty of the natural gas business of the Group.

Details of the financial risk management are disclosed in Note 41 to the financial statements.

Environmental policies and performance

As a responsible listed company, the Board ensures the Group is committed to support the environmental sustainability. The Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. The energy segment and investment properties segment of the Group are non-polluting businesses and do not produce much waste and polluted materials. The management ensures that environmental protection remains a major element of our operations.

Besides the above two operating segments, generally, the Group is committed to maintain an environmental friendly corporation to conserve natural resources. The Group strives to minimise our environmental impacts by saving electricity and encouraging recycle of office supplies and other materials. Detail information on the ESG practices adopted by the Company is set out in the ESG Report which is presented in a separate report and published on the websites of the Company under the heading "Corporate Report" and the Stock Exchange. If the shareholders of the Company wish to receive a printed copy of ESG Report, they may submit their request to the Company c/o Tricor Tengis Limited, the branch share registrar and the transfer office of the Company in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by post.

Compliance with relevant laws and regulations

As far as the Board is aware, the Group has complied in all material aspects of relevant laws and regulations that may have significant impacts on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

Relationship with employees, customers and suppliers

The Group believes that employees are valuable assets. The Group provides competitive remuneration packages to attract and motivate the employees and such packages are reviewed regularly. The Company also grants share options to employees with good performance.

Directors' Report

The Group understands the importance of maintaining good relationship with our suppliers and customers to meet our corporate goals. The Group communicates with suppliers and customers constantly to exchange ideas and views. We provide information on development of the Group to suppliers and customers so that they are confident with the Group's prospects so as to maintain a strong relationship.

Permitted indemnity provision

The Articles of Association provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties, or supposed duties, in their respective offices or trusts.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors.

Sufficiency of public float

The Company had maintained sufficient public float throughout the year ended 31 December 2022.

Contingent liabilities

As at 31 December 2022, the Directors were not aware of any material contingent liabilities.

Significant event after the reporting date

Save as disclosed above, there is no significant event after the reporting date up to the date of this annual report.

Auditor

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditor of the Company. There has been no change in auditor of the Company in any of the preceding three years.

On behalf of the Board

Ma Zheng
Chairman

Hong Kong, 22 March 2023

Corporate Governance Report

(A) Corporate governance practices

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "Code") for the year ended 31 December 2022 contained in Appendix 15 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively referred as the "GEM Listing Rules"), with the exception of a deviation as set out under section (D) below. The application of the relevant principles and the reasons for the abovementioned deviation are contained in this report.

On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG Code will apply to corporate governance reports for financial year commencing on or after 1 January 2022.

The Company strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Company's corporate governance principles emphasise the need to have a quality Board, effective internal control and accountability to shareholders.

(B) Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors confirmed they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year.

(C) Board of directors

The Company is governed by the Board, which has the responsibility for leading and controlling the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective oversight over management. The Board delegates daily operations and administration of the Company to management.

The Board includes (up to the approval date of these financial statements) the Chairman together with one executive Director, one non-executive Director and three independent non-executive Directors, and their biographical details have been set out in the "Biographical Details of Directors and Senior Management" section.

Board Meetings

The Company Secretary is responsible to the Board for providing with Board papers and related materials, for ensuring that all Board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and/or the chief executive on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be presented at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

The Board meets regularly and held 8 Board meetings in 2022. At least 14 days' notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. Individual attendance records of each Director at the respective Board and committee meetings are set out in the section of "Directors' Attendance Record at Meetings" of this report.

Board Diversity

The Board has adopted a Board Diversity Policy. The Board seeks to achieve Board diversity through different aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Board also takes into account factors based on the Company's own business development and specific needs from time to time. In assessing and selecting a candidate for acting as a Director, the criteria to be considered including but not limited to (i) qualifications including professional qualifications, skills, knowledge and experience; (ii) commitment to attending the meetings and participating in relevant training and other board associated activities; and (iii) such other perspectives that are appropriate to the Company's business and succession plan and from time to time.

Currently, the ratio of male and female members in the Board is 5:1. The Board will seek to achieve balance of Board gender diversity when new members are appointed in the future.

Continuous Professional Development

Pursuant to code provision C.1.4 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending seminars or programmes or studying relevant materials on the topics related to corporate governance and regulations.

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

Name of Directors	Attending seminar(s) or programme(s)/ studying relevant materials in relation to the business or directors' duties
	Yes/No
Executive Directors	
Ms. Ma Zheng *(Chairman)*	Yes
Mr. Yuan Geng	Yes
Mr. Wong Pui Yiu *(retired on 1 February 2022)*	Yes
Non-executive Director	
Mr. Ji Jianghua	Yes
Independent non-executive Directors	
Mr. Wan Tze Fan Terence	Yes
Mr. Chung Chin Keung	Yes
Mr. Wang Xiao Bing	Yes

All Directors also understand the importance of continuous professional development and are committed to participate in any suitable training or study relevant materials in order to develop and refresh their knowledge and skills.

During the year under review, there was no conflict of interest in any matters with the substantial shareholders and Directors of the Company. In addition, if the Board considers a Director to be having a conflict of interest, that Director will be required to abstain from voting.

(D) Chairman and chief executive officer

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

(E) *Appointment and re-election of directors*

According to the Articles of Association (a) every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years; and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the next following general meeting of the Company after their appointment.

(F) *Non-executive directors and independent non-executive directors*

During the year under review, the Company had one non-executive Director, Mr. Ji Jianghua and three independent non-executive Directors, they were Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Ji Jianghua, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing are independent non-executive Directors serving the Company for more than 9 years. Any future re-appointment of Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing should follow the requirements of code provision B.2.3 of the Code. The Board considers that Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing continue to be independent as they have satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules. Mr. Wang Xiao Bing resigned on 1 March 2023.

(G) *Responsibilities of directors*

The Board will make sure every newly appointed director will receive the necessary information for his proper understanding of the operations and business of the Group and that he will be fully aware of his responsibilities under statute and common law, the GEM Listing Rules and other regulatory requirements and governance policies of the Company. The Directors will continually update themselves with legal and regulatory development, business and market changes and the development of the Company so as to facilitate the discharge of their responsibilities.

Corporate governance functions

The Board is responsible for performing the following corporate governance duties:

(1) To observe, and to charge employees with duty to observe, compliance with the GEM Listing Rules and applicable laws and regulations;

(2) To develop, review and monitor the Company's policies, procedures and practices on corporate governance and compliance with legal and regulatory requirements;

(3) To take and monitor the implementation of measures relating to:

(a) significant breach of compliance policies;

(b) significant compliance incidents; and

(c) disciplinary actions taken by authorities;

(4) To maintain sound communication with management and Company Secretary of the Company to ensure corporate governance and timely compliance;

(5) To pay attention to the Code and recommended best practices of the GEM Listing Rules and review disclosure in the corporate governance report of the Company from time to time; and

(6) To review, monitor and facilitate the training and continuous professional development of the Directors in relation to corporate governance.

During 2022, the Board discharged its duties by reviewing and monitoring the Company's compliance with the Code and other legal and regulatory requirements, reviewing and updating the policy for notifiable transactions, connected transactions and inside information and the code of conduct regarding securities transactions by Directors, reviewing, facilitating and monitoring the training and continuous professional development of the Directors and reviewing the disclosures in this Corporate Governance Report.

(H) Remuneration committee

The Board has established a remuneration committee with specific written terms of reference in compliance with the code provision E.1.2 of the Code. These terms of reference were already reviewed by all Directors before they were adopted. During the year under review, the remuneration committee comprised only of the independent non-executive Directors, namely Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing. Mr. Chung Chin Keung is the chairman of the remuneration committee. The remuneration committee had held one meeting during 2022.

The role and function of the remuneration committee include determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration package. The remuneration committee also has to review and/or approve matters relating to share schemes under the GEM Listing Rules. During the year under review, the remuneration committee adopted the approach under the code provision E.1.2(c)(ii) of the Code to make recommendations to the Board on the remuneration packages of executive Directors and senior management.

(I) *Nomination committee*

The Company established the nomination committee on 22 March 2012 with written terms of reference in compliance with the code provision B.3.1 of the Code. The primary role and function of the nomination committee, among other things, are to (i) review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendations to the Board on the appointment and re-appointment of Directors. During the year under review, the nomination committee comprises three members, Mr. Chung Chin Keung, Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Chung Chin Keung is the chairman of the nomination committee.

The nomination committee had held one meeting during the year under review. The nomination committee reviewed the structure, size and composition of the Board.

(J) *Audit committee*

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provisions D.3.3 and D.3.7 of the Code. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) review the financial statements and the quarterly, interim and annual reports of the Group; and (iv) oversight of the Company's financial reporting system, risk management and internal control systems. During the year under review, the audit committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the chairman of the audit committee.

The audit committee had held four meetings during the year under review. The audit committee has reviewed and provided supervision over the financial reporting system and internal control procedures of the Group and reviewed the Company's annual report and financial statements, interim report and quarterly reports and to provide advice and comments thereon to the Board that such reports were prepared in accordance with the applicable accounting standards and requirements. The audit committee also met with the external auditor to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval.

The audit committee is satisfied with their review of the audit fee and audit process and has recommended the Board to re-appoint the existing auditor at the forthcoming annual general meeting.

The Group's 2022 annual report, 2022 quarterly reports and 2022 interim report had been reviewed by the audit committee.

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2022 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	8	4	1	1	1
Executive Directors					
Ms. Ma Zheng *(Chairman)*	8/8	N/A	N/A	N/A	0/1
Mr. Yuan Geng	6/8	N/A	N/A	N/A	1/1
Mr. Wong Pui Yiu *(retired on 1 February 2022)*	1/8	N/A	N/A	N/A	0/1
Non-executive Director					
Mr. Ji Jianghua	2/8	N/A	N/A	N/A	0/1
Independent non-executive Directors					
Mr. Wan Tze Fan Terence *(Chairman of audit committee)*	7/8	4/4	1/1	1/1	1/1
Mr. Chung Chin Keung *(Chairman of remuneration committee and nomination committee)*	7/8	4/4	1/1	1/1	1/1
Mr. Wang Xiao Bing	4/8	3/4	1/1	1/1	0/1

Directors' and Auditor's Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The management provides such explanations and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

The responsibilities of the external auditor of the Company for reporting responsibilities on the financial statements are set out in the independent auditor's report on pages 37 to 42.

(K) *Auditor's remuneration*

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions can lead to any potential material adverse effect on the Company. During the year under review, an amount of approximately HK$1,280,000 (2021: approximately HK$1,280,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 for audit services provided by the external auditor, audit services include annual audit financial statements and agreed upon procedures on preliminary announcement of result. No non-audit service was provided by the external auditor in 2022.

(L) *Risk management and internal control*

The Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis. The Company has already adopted a well-designed internal control system to safeguard the assets of the Company and the shareholders' investments and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the GEM Listing Rules. The Group has an internal audit team (the "IA Team") with direct reporting line to the Audit Committee, to carry out the internal audit function.

Risk management and internal control systems

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Company and the Group. Therefore, it can only provide reasonable and not absolute assurance against all risk issues. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the Audit Committee is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risk together with the risk response will be recorded and subject to the Board's oversight.

Main features of risk management and internal control systems

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

Process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The IA Team performed review on the major operating units of the Group in the fourth quarter of 2022 in compliance with the requirements under Code Provision D.2 of the Code, according to the scope of review agreed and directed by the Audit Committee covering the Group's material controls in financial, operational and compliance aspects. The review identified certain internal control weaknesses and risks but none of them are significant. The IA Team reported to the Audit Committee and the Audit Committee is satisfied that although there were areas that need to be improved, there has been no major deficiency noted in the areas of the Company's risk management and internal control systems being reviewed after implementation of recommendations of the internal control defects reported by the IA Team. Accordingly, the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources.

Procedures and internal control for the handling and dissemination of inside information

The Board has established a policy to handle the dissemination of inside information. The policy stipulated the obligations of the Group, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Financial Controller who will notify the Board as soon as reasonably practicable accordingly for taking the appropriate prompt action. In the event that there is evidence of any material violation of the policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

In addition, employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to strictly adhere to the policy of management of inside information and are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than those required under the GEM Listing Rules.

Whistleblowing policy

The Board has adopted a whistleblowing policy (the "Whistleblowing Policy"). The Group aims to maintaining high standard of business ethics and corporate governance. The Company expects and encourages its employees and other parties who deal with the Company and its subsidiaries (e.g. customers, contractors and suppliers, etc. (collectively, the "Other Stakeholders") to report a serious concern about any suspected fraud, malpractice, misconduct or irregularity (the "Concern").

The Whistleblowing Policy aims to (i) set up reporting channels and guidance on whistleblowing to employees or Other Stakeholders to raise the Concern; and (ii) reveal suspected fraud, malpractice or misconduct before these activities cause disruption or loss to the Group.

Effectiveness of the system

In the view of the Board, the Group's system of risk management and internal control systems are effective and there is no material deficiency in the effectiveness of the Group's internal control system. The system is reviewed annually.

(M) Company secretary

Mr. Wong Chun Sing is the Company Secretary of the Company. As an employee of the Company, he is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance development. During the year under review, Mr. Wong confirmed that he undertook no less than 15 hours of relevant professional training. His biography is set out in the "Biographical Details of Directors and Senior Management" of this annual report.

(N) Communication with shareholders

Communication with shareholders is given a high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, announcements and circulars made through the websites of the Company and the Stock Exchange.

The Board also maintains an on-going dialogue with shareholders and make use of general meetings to communicate with shareholders. The Company encourages all shareholders to attend general meetings which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are available to answer shareholders' questions in all general meetings.

(O) Investor relations

The Company disclosed all necessary information to shareholders in compliance with the GEM Listing Rules. The Company will also reply to enquires from shareholders on request.

During the year under review, the Company has amended the Articles of Association, details of which are set out in the announcement dated 17 May 2022 and the circular dated 1 April 2022 of the Company. The Shareholders have approved the amendments at the annual general meeting of the Company held on 17 May 2022. The Company's amended and restated Articles of Association is available for inspection on the websites of the Company and the Stock Exchange.

(P) Shareholders' rights

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the websites of the Company and the Stock Exchange after the relevant shareholders' meeting.

Policy on shareholders' communication

The policy on shareholders' communication ("Policy") aims to promote effective communication with shareholders and enable them to exercise their rights as shareholders in an informed manner and to furnish the investment community with equal and timely access to information about the Company. The Company shall maintain an on-going dialogue with Shareholders and the investment community, and will regularly review this Policy to ensure its effectiveness.

(Q) Right to convene extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company's head office and principal place of business in Hong Kong.

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

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TO THE SHAREHOLDERS OF CHINA PRIMARY ENERGY HOLDINGS LIMITED
(中國基礎能源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Primary Energy Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 134, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

(1) Valuation of investment properties

The Group's investment properties amounted to HK$208,492,000 as at 31 December 2022 and a fair value loss of HK$2,028,000 was accounted for under "loss arising from changes in fair value of investment properties" in the consolidated statement of profit or loss and other comprehensive income.

The Group engaged the independent external property valuer to determine the fair value of investment properties held by the Group as at 31 December 2022.

We identified valuation of the Group's investment properties as at the end of reporting period as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements. The fair value is determined by applying the income approach, using the investment method whereby the estimated market rental receivable during the term of the tenancies are capitalised at appropriate yield with due allowance for the revisionary income potential of the properties. The determination of the fair values involves significant judgement and estimation, including selecting the appropriate valuation methodology, capitalisation rates and market rents.

Refer to Notes 4(f), 5(d), and 17 to the consolidated financial statements.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

(i) assessing the competence, capability, and objectivity of the external property valuer engaged by the management;

(ii) evaluating the valuation methodology used by the external property valuer based on our knowledge of other property valuer for similar types of properties;

(iii) comparing on a sample basis the tenancy information included in the valuation models, which included committed rents and occupancy rates, with underling contracts and related documentation; and

(iv) discussing the valuations with the independent external property valuer and challenging key estimates adopted in the valuations, including those relating to market rents and capitalisation rates, by comparing them with historical rates and available market data, taking into consideration comparability and other local market factors, with the assistance of property valuation specialist engaged by us.

(2) Impairment testing

Goodwill

As at 31 December 2022, the carrying amount of goodwill amounted to approximately HK$15,725,000, which for impairment testing purposes was allocated to two cash-generating units ("CGUs") engaged in the Group's natural gas business.

We focused on this area as the balance was material to the Group's consolidated financial statements. In addition, the directors determined the recoverable amounts of these CGUs by estimating their respective fair value less costs of disposal which involves management judgements and estimates about the future results of the business, key assumptions including sales growth rate and gross profit margin, long-term growth rate and the discount rate applied to each future cash flow projection.

Refer to Notes 4(c), 5(b) and 19 to the consolidated financial statements.

How the matter was addressed in our audit

Our audit team included a valuation expert. Our audit procedures included the following:

(i) assessing the appropriateness of valuation methodologies used by management's valuation expert;

(ii) checking the reasonableness of input data used in the Group's future cash flow projection of each CGU to supporting evidence, such as sales contracts and orders, and considering the reasonableness of these budgets;

(iii) assessing the reasonableness of management's key assumptions used including sales growth rate and gross profit margin by comparing the current year's actual results with the 2022 figures included in the prior year's forecast, by reference to future plans and by performing independent market analysis;

(iv) checking the appropriateness of the long term growth rate and discount rate applied to each future cash flow projection; and

(v) considering the potential impact of a reasonably possible downside change in management's key assumptions and input data.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Wendy W.Y. Fong
Practising Certificate Number: P06821

Hong Kong, 22 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Continuing operations			
Revenue	6	**184,683**	141,544
Other income and gains and losses	8	**1,598**	2,989
Changes in inventories of finished goods		**(135,784)**	(89,745)
Staff costs, including directors' remuneration	14	**(20,855)**	(23,572)
Depreciation	10(a)	**(17,307)**	(17,809)
Amortisation of other intangible assets	20	**(378)**	(378)
Loss arising from changes in fair value of investment properties	17	**(2,028)**	(1,564)
Gain on disposal of a subsidiary	27(a)	**–**	14,550
Gain on disposal of assets classified as held for sale	27(c)	**9,426**	–
(Impairment loss)/reversal of impairment loss on trade receivables, net	23(b)	**(28)**	1,046
Reversal of impairment loss/(impairment loss) on other receivables and prepayments, net	24(b)	**450**	(412)
Other operating expenses	10(a)	**(21,728)**	(26,429)
Finance costs	9	**(6,360)**	(5,014)
Loss before income tax	10(a)	**(8,311)**	(4,794)
Income tax expense	11	**(3,509)**	(2,505)
Loss from continuing operations		**(11,820)**	(7,299)
Discontinued operation			
Loss from discontinued operation	10(b)	**–**	(960)
Loss for the year		**(11,820)**	(8,259)
Attributable to:			
Owners of the Company			
From continuing operations		**(9,855)**	(6,981)
From discontinued operation		**–**	(960)
		(9,855)	(7,941)
Non-controlling interests		**(1,965)**	(318)
Loss for the year		**(11,820)**	(8,259)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**4,051**	1,004
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(34,788)**	7,608
Items reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon disposal of a subsidiary	27(a)	**–**	2,310
Other comprehensive income for the year		**(30,737)**	10,922
Total comprehensive income for the year		**(42,557)**	2,663
Total comprehensive income attributable to:			
Owners of the Company			
From continuing operations		**(37,408)**	3,372
From discontinued operation		**–**	(960)
		(37,408)	2,412
Non-controlling interests		**(5,149)**	251
		(42,557)	2,663
Loss per share from continuing and discontinued operations	13		
– Basic		**HK$(0.01)**	HK$(0.008)
– Diluted		**HK$(0.01)**	HK$(0.008)
Loss per share from continuing operations	13		
– Basic		**HK$(0.01)**	HK$(0.007)
– Diluted		**HK$(0.01)**	HK$(0.007)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	16	**315,692**	240,721
Investment properties	17	**208,492**	228,406
Goodwill	19	**15,725**	17,063
Other intangible assets	20	**517**	935
Prepayment for property, plant and equipment		**10,719**	764
Equity instruments measured at fair value through other comprehensive income ("FVTOCI")	21	**13,376**	6,052
Total non-current assets		**564,521**	493,941
Current assets			
Inventories	22	**8,140**	9,551
Trade receivables	23	**18,732**	16,914
Other receivables, deposits and prepayments	24	**57,390**	40,206
Investments held for trading	25	**43**	79
Pledged bank deposit	26	**56,536**	61,347
Cash and cash equivalents	26	**33,159**	111,700
		174,000	239,797
Assets classified as held for sale	27(c)	**–**	19,212
Total current assets		**174,000**	259,009
Total assets		**738,521**	752,950
Current liabilities			
Trade payables	28	**12,473**	6,340
Other payables and accruals	29	**52,342**	42,614
Loans from a major shareholder	30	**1,325**	1,325
Lease liabilities	35	**1,805**	2,418
Bank borrowings	31	**224,469**	86,172
Tax payable		**7,133**	3,964
Total current liabilities		**299,547**	142,833
Net current (liabilities)/assets		**(125,547)**	116,176

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Loans from a major shareholder	30	**34,631**	28,273
Deferred tax liabilities	32	**25,825**	28,559
Lease liabilities	35	**4,131**	6,054
Bank borrowings	31	**38,969**	181,038
Total non-current liabilities		**103,556**	243,924
Total liabilities		**403,103**	386,757
NET ASSETS		**335,418**	366,193
Equity			
Share capital	33	**63,999**	63,999
Reserves		**221,979**	259,387
Equity attributable to owners of the Company		**285,978**	323,386
Non-controlling interests		**49,440**	42,807
TOTAL EQUITY		**335,418**	366,193

These financial statements were approved and authorised for issue by the board of directors on 22 March 2023.

Ma Zheng
Director

Yuan Geng
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity attributable to owners of the Company										
	Share capital HK$'000 (Note 33)	Share premium account HK$'000 (Note a)	Statutory surplus reserve HK$'000 (Note b)	Exchange translation reserve HK$'000 (Note c)	Share option reserve HK$'000 (Note d)	Property revaluation reserve HK$'000 (Note e)	Financial assets at FVTOCI reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 December 2020 and at 1 January 2021	63,999	727,375	5,109	41,875	24,066	34,512	206	(576,068)	321,074	16,607	337,681
Profit for the year	–	–	–	–	–	–	–	(7,941)	(7,941)	(318)	(8,259)
Other comprehensive income:											
Exchange differences on translation of foreign operations	–	–	–	7,039	–	–	–	–	7,039	569	7,608
Reclassification adjustment of foreign operation disposed of (Note 27(a))	–	–	–	2,310	–	–	–	–	2,310	–	2,310
Changes in fair value of equity instruments at FVTOCI	–	–	–	–	–	–	1,004	–	1,004	–	1,004
Total comprehensive income	–	–	–	9,349	–	–	1,004	(7,941)	2,412	251	2,663
Partial disposal of interest in a subsidiary without loss of control	–	–	–	–	–	–	–	(100)	(100)	690	590
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	25,259	25,259
Balance at 31 December 2021	63,999	727,375	5,109	51,224	24,066	34,512	1,210	(584,109)	323,386	42,807	366,193

	Equity attributable to owners of the Company										
	Share capital HK$'000 (Note 33)	**Share premium account HK$'000 (Note a)**	**Statutory surplus reserve HK$'000 (Note b)**	**Exchange translation reserve HK$'000 (Note c)**	**Share Option reserve HK$'000 (Note d)**	**Property revaluation reserve HK$'000 (Note e)**	**Financial assets at FVTOCI reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
Balance at 31 December 2021 and 1 January 2022	**63,999**	**727,375**	**5,109**	**51,224**	**24,066**	**34,512**	**1,210**	**(584,109)**	**323,386**	**42,807**	**366,193**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,855)**	**(9,855)**	**(1,965)**	**(11,820)**
Other comprehensive income:											
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(31,604)**	**–**	**–**	**–**	**–**	**(31,604)**	**(3,184)**	**(34,788)**
Changes in fair value of equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**4,051**	**–**	**4,051**	**–**	**4,051**
Total comprehensive income	**–**	**–**	**–**	**(31,604)**	**–**	**–**	**4,051**	**(9,855)**	**(37,408)**	**(5,149)**	**(42,557)**
Lapse of share options (Note 34)	**–**	**–**	**–**	**–**	**(24,066)**	**–**	**–**	**24,066**	**–**	**–**	**–**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,782**	**11,782**
Balance at 31 December 2022	**63,999**	**727,375**	**5,109**	**19,620**	**–**	**34,512**	**5,261**	**(569,898)**	**285,978**	**49,440**	**335,418**

Notes:

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

(b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(p).

(d) Share option reserve comprises cumulative expenses recognised on the granting of share options to the employees and consultants over the vesting period. This reserve is dealt with in accordance with the accounting policy in Note 4(r).

(e) Property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Loss before income tax from continuing operations		**(8,311)**	(4,794)
Loss before income tax from discontinuing operation		**–**	(960)
		(8,311)	(5,754)
Adjustments for:			
Depreciation	16	**17,307**	17,809
Amortisation of other intangible assets	20	**378**	378
Bank interest income	8	**(2,834)**	(2,621)
Finance costs	9	**6,360**	5,014
Fair value loss on investments held for trading	8	**36**	129
Gain on disposal of property, plant and equipment	8	**(60)**	–
Write off of property, plant and equipment	8	**172**	1,941
Loss arising from changes in fair value of investment properties	17	**2,028**	1,564
Impairment loss on property, plant and equipment	16	**3,282**	–
Gain on disposal of assets classified as held for sale		**(9,426)**	–
Impairment of inventories	10(a)	**–**	960
Impairment loss/(reversal of impairment loss) on trade receivables, net	23(b)	**28**	(1,046)
(Reversal of impairment loss)/impairment loss on other receivables and prepayments, net	24(b)	**(450)**	412
Gain on disposal of a subsidiary	27(a)	**–**	(14,550)
Operating profit before working capital changes		**8,510**	4,236
Decrease/(increase) in inventories		**679**	(4,063)
Increase in trade receivables		**(3,780)**	(2,217)
Increase in other receivables, deposits and prepayments		**(10,487)**	(27,900)
Increase/(decrease) in trade payables		**6,467**	(1,264)
Increase in other payables and accruals		**6,950**	14,181
Cash generated from/(used in) operations		**8,339**	(17,027)
Income tax (paid)/refunded		**(847)**	80
Bank interest income received		**441**	172
Net cash generated from/(used in) operating activities		**7,933**	(16,775)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(113,929)**	(79,932)
Subsequent expenditure on investment properties	17	**–**	(2,446)
Additional investment in equity instruments measured at FVTOCI	21	**(3,426)**	(435)
Net cash inflows arising from disposal of a subsidiary	27	**–**	50,063
Proceeds from partial disposal of a subsidiary	27(b)	**–**	590
Increase in pledged bank deposit	26	**–**	(1,965)
Proceeds from disposal of property, plant and equipment		**18,216**	117
Net cash used in investing activities		**(99,139)**	(34,008)
Cash flows from financing activities	38(b)		
Proceeds from bank borrowings		**169,232**	259,607
Repayment of bank borrowings		**(151,597)**	(130,455)
Repayment of principal portion of lease liabilities		**(2,438)**	(4,297)
Loans from a major shareholder		**2,016**	7,300
Repayment of loans from a major shareholder		**–**	(407)
Capital contribution from non-controlling shareholders		**11,782**	25,259
Interest paid		**(9,483)**	(8,234)
Net cash generated from financing activities		**19,512**	148,773
Net (decrease)/increase in cash and cash equivalents		**(71,694)**	97,990
Cash and cash equivalents at beginning of year		**111,700**	12,544
Effect of foreign exchange rate changes		**(6,847)**	1,166
Cash and cash equivalents at end of year		**33,159**	111,700
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**33,159**	111,700

1. ORGANISATION AND OPERATIONS

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

The principal activity of the Company is investment holding. The Group engages in the transmission and distribution of natural gas, sale of heat and biomass gasification related products and property investment primarily in the PRC. The activities of the principal subsidiaries are set out in Note 18.

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

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

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

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

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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

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

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

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

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

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

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards:

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")[4]
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2023

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

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

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

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

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

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

2. *ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)*

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

Amendments to HKAS 8 – Definition of Accounting Estimates

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

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

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

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

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

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKAS 1 – Non-current Liabilities with Covenants

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

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

I. The Group continues to implement measures to tighten cost controls over various operating expenses in order to improve its profitability and to generate positive cash inflows from its operations.

II. The Group's pledged fixed deposit of RMB50,000,000 (equivalent to approximately HK$56,536,000) as at 31 December 2022 has been released in February 2023 which provided funding for the Group to repay the short-term bank borrowings upon maturity in the coming year.

III. As set out in Note 31, the Group has undrawn bank and other loan facilities totaling RMB235,859,000 (equivalent to approximately HK$266,688,000) as at 31 December 2022, out of which the bank facilities of RMB34,880,000 (equivalent to approximately HK$39,439,000) and RMB190,000,000 (equivalent to approximately HK$214,835,000) can be utilised by the Group up to the period ending 22 October 2027 and 20 September 2033 respectively.

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

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– Substantive potential voting rights held by the Company and other parties who hold voting rights;

– Other contractual arrangements; and

– Historic patterns in voting attendance.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Other intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on unit-of-production method or straight-line basis over their estimated useful lives as follows:

Customer relationships	10 years
Energy use right/emission right	unit per consumption

The amortisation expense is recognised in profit or loss. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Other intangible assets (Continued)

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (See Note 4(g)). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in Note 4(k).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy in Note 4(s). In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Depreciation of property, plant and equipment commences when the assets are ready for their intended use. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Land and buildings	Over the lease terms or 3%
Leasehold improvements	Over the remaining term of the lease but not exceeding 4 years
Computer equipment	20% – 33%
Plant and machinery	5% – 10%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	10% – 20%

Right-of-use assets are depreciated over their expected useful life on the same basis as owned assets, or where shorter, the term of relevant lease.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under leasehold interest either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group or the Company reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (including right-of-use assets);

– interests in subsidiaries; and

– other intangible assets

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less cost necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(i) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVTOCI. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due or unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

(iv) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(i) Financial Instruments (Continued)

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of profit or loss and other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

The Group accounts for land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for land and buildings which is held for own use under HKAS 16 and are carried at cost less accumulated depreciation and any accumulated impairment loss.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Leasing (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(m) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

(i) Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

(ii) Deferred tax

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income taxes (Continued)

(ii) Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

(p) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary items and from the translation at year end exchanges rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of monetary items in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Foreign currencies (Continued)

Transactions and balances (Continued)

On consolidation, the statements of financial position of the group entities denominated in foreign currencies are translated into HK$ at the applicable rates of exchange ruling at the end of reporting period while income and expenses items are translated at an average rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to other comprehensive income and accumulated in equity as exchange translation reserve. Such accumulated translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of reporting period. Exchange differences arising are recognised in the exchange translation reserve.

(q) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits (other than termination benefits) are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's entities which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(u) Revenue recognition (Continued)

Transmission and distribution of natural gas

Revenue from the sale of natural gas is recognised at a point in time when the control of the natural gas is transferred to the customer, that is upon delivery at the location specified in the contract. Revenue is recognised at the contractually stated price based on the quantity of natural gas delivered in accordance with meter readings. The Group recognises revenue on a gross basis as the Group control the natural gas before transferring it to a customer. Invoices for selling and distribution natural gas are issued on a monthly basis and are usually payable within 30 to 60 days.

Sale of heat and biomass gasification related products

Revenue from the sale of heat is recognised at a point in time when the control of the heat is transferred to the customer, upon delivery at the location specified in the contract. Revenue is recognised at the contractually stated price based on the quantity of heat delivered in accordance with meter readings. The Group recognises revenue on a gross basis as the Group control the heat before transferring it to a customer. Invoices for selling and distribution of heat is issued on a monthly basis and are usually payable within 30 to 60 days.

Customers obtain control of biomass gasification related products when the goods are delivered to and have been accepted. Revenue is recognised upon when the customers accepted the goods, without any right of return, rebate granted or variable consideration. There is generally one performance obligation. Invoices for sale of biomass gasification related products are issued on a monthly basis and are usually payable within 30 days.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Interest income

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding at the applicable interest rate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions, which are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the critical judgement made by the Group are discussed below:

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment, right-of-use assets and other intangible assets, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The determination of fair value less costs of disposal requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(c) Impairment of trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and ECL rates. The Group uses judgement in making these assumptions and estimating the ECLs, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Fair value measurement

The fair value measurement of certain of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the below items at fair value:

– Investment properties (Note 17);

– Equity instruments measured at FVTOCI (Note 21); and

– Investments held for trading (Note 25).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes as indicated.

(e) Deferred tax liabilities

For the purposes of measuring deferred taxes arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has recognised the deferred taxes on changes in fair value of all investment properties at enterprise income tax rate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(f) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group and the Company have the capabilities to continue as a going concern and the major events and conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumptions and related mitigating measures taken by management are set out in Note 3(b).

6. REVENUE

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

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

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

7. SEGMENT REPORTING

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

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

Revenue from contracts with customers within the scope of HKFRS 15

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

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

Revenue from other sources

– Property investment

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

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

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

7. SEGMENT REPORTING (Continued)

(a) Reportable segments

For the year ended 31 December 2022

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

7. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December 2022 (Continued)

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

7. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December 2021

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

7. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December 2021 (Continued)

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

7. SEGMENT REPORTING (Continued)

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

	2022 HK$'000	2021 HK$'000
Loss before income tax and discontinued operation		
Total reportable segment's profit	**22,805**	25,927
Segment loss from the discontinued operation	**–**	(960)
Unallocated other income and gains and losses	**4,347**	(326)
Corporate and other unallocated expenses	**(29,103)**	(25,381)
Finance costs	**(6,360)**	(5,014)
Consolidated loss before income tax from continuing and discontinued operations	**(8,311)**	(5,754)

	2022 HK$'000	2021 HK$'000
Assets		
Total reportable segment's assets	**610,904**	545,160
Cash and cash equivalents	**33,159**	111,700
Pledged bank deposit	**56,536**	61,347
Unallocated corporate assets	**37,922**	34,743
Consolidated total assets	**738,521**	752,950

	2022 HK$'000	2021 HK$'000
Liabilities		
Total reportable segment's liabilities	**(202,622)**	(194,284)
Deferred tax liabilities	**(25,825)**	(28,559)
Unallocated corporate liabilities	**(174,656)**	(163,914)
Consolidated total liabilities	**(403,103)**	(386,757)

7. SEGMENT REPORTING (Continued)

(c) Disaggregation of revenue from contracts with customers

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

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

For the year ended 31 December 2022

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

For the year ended 31 December 2021

	Transmission and distribution of natural gas HK$'000	Sale of heat and biomass gasification related products HK$'000	Property investment HK$'000	Total HK$'000	Trading of electronic components HK$'000	Total HK$'000
Primary geographical markets						
PRC	108,292	14,310	18,942	141,544	–	141,544
Major products/services						
Sale of goods	108,292	14,310	–	122,602		122,602
Rental income	–	–	18,942	18,942	–	18,942
	108,292	14,310	18,942	141,544	–	141,544

7. SEGMENT REPORTING (Continued)

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

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

(d) Information about major customers

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

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

8. OTHER INCOME AND GAINS AND LOSSES

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

Note:

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

9. FINANCE COSTS

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

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

10. LOSS BEFORE INCOME TAX

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

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

10. LOSS BEFORE INCOME TAX (Continued)

(b) Discontinued operation

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

	2021 HK$'000
Results of the discontinued operation:	
Revenue	–
Expenses	960
Finance costs	–
Loss before income tax	960
Income tax	–
Loss for the year from a discontinued operation	960
Net cash flows of the discontinued operation:	
Operating cash flows	–
Investing cash flows	–
Financing cash flows	–
	–
Loss per share of the discontinued operation:	
Basic and diluted (Note 13)	HK$0.001

11. INCOME TAX

	2022 HK$'000	2021 HK$'000
Current tax – PRC		
– tax for the year	**4,016**	2,896
Deferred tax liabilities (Note 32)		
– current year	**(507)**	(391)
Total income tax expense for the year	**3,509**	2,505

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

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

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

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2022 HK$'000	2021 HK$'000
Loss before income tax from continuing operations	**(8,311)**	(4,794)
Loss before income tax from a discontinued operation	**–**	(960)
Loss before income tax	**(8,311)**	(5,754)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2021: 25%)	**(2,078)**	(1,438)
Effect of different tax rates of subsidiaries	**2,211**	1,525
Tax effect of expenses not deductible for taxation purposes	**2,794**	2,794
Tax effect of non-taxable items	**(1,414)**	(7,094)
Tax effect of unused tax losses and other temporary differences not recognised	**1,996**	7,261
Utilisation of previously unrecognised tax losses	**–**	(543)
Income tax expense for the year	**3,509**	2,505

12. DIVIDEND

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

13. LOSS PER SHARE

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

	2022	2021
	HK$'000	HK$'000
Loss:		
Loss for the year attributable to owners of the Company		
From continuing operations	**(9,855)**	(6,981)
From a discontinued operation	**–**	(960)
	(9,855)	(7,941)

	Number of shares	
	2022	2021
	'000	'000
Weighted average number of ordinary shares in issue	**1,023,987**	1,023,987

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

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

14. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

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

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

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Executive directors and non-executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2022				
Executive directors:				
Ms. Ma Zheng	–	1,665	18	1,683
Ms. Wong Pui Yiu (Note (v))	–	52	2	54
Mr. Yuan Geng	–	812	18	830
	–	2,529	38	2,567
Non-executive director:				
Mr. Ji Jianghua	180	–	–	180
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	180	–	–	180
Mr. Chung Chin Keung	180	–	–	180
Mr. Wang Xiao Bing (Note (iv))	180	–	–	180
	540	–	–	540
	720	2,529	38	3,287

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Executive directors and non-executive directors (Continued)

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2021				
Executive directors:				
Ms. Ma Zheng	–	1,659	18	1,677
Mr. Wong Pui Yiu (Note (v))	–	699	18	717
Mr. Yuan Geng (Note (iii))	–	1,030	16	1,046
	–	3,388	52	3,440
Non-executive director:				
Mr. Ji Jianghua	180	–	–	180
Independent non-executive directors:				
Mr. Wan Tze Fan Terence	180	–	–	180
Mr. Chung Chin Keung	180	–	–	180
Mr. Wang Xiao Bing (Note (iv))	180	–	–	180
	540	–	–	540
	720	3,388	52	4,160

Notes:

(i) During the current and prior years, no emolument was paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

(ii) Salaries, allowances and other benefits paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(iii) Mr. Yuan Geng was appointed as an executive director of the Company on 18 February 2021.

(iv) Mr. Wang Xiao Bing resigned as independent non-executive director with effect from 1 March 2023.

(v) Mr. Wong Pui Yiu retired as an executive director of the Company with effect from 1 February 2022.

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2021: three) directors, details of whose remuneration are set out in Note 15(a) above. Details of the remuneration of the remaining three (2021: two) non-director, highest paid individuals for the year are as follows:

	2022	2021
	HK$'000	HK$'000
Basic salaries, share options and other benefits	**1,633**	1,204
Discretionary bonuses	**102**	63
Retirement benefit scheme contributions	**54**	36
	1,789	1,303

Their emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK$Nil – HK$500,000	**2**	1
HK$500,001 – HK$1,000,000	**1**	1
	3	2

The emoluments paid or payable to members of senior management other than directors were within the following bands:

	Number of individuals	
	2022	2021
HK$500,001 – HK$1,000,000	**1**	1

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Land use rights HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 January 2021	100,988	27,673	1,453	1,878	112,956	1,061	12,674	80,573	339,256
Additions	2,942	7,532	124	348	2,928	472	2,816	42,691	59,853
Disposals	–	–	–	(179)	–	–	–	–	(179)
Write off	(5,363)	–	(1,226)	(62)	–	(651)	–	(1,877)	(9,179)
Reclassification	49,959	–	–	1,822	3,908	507	561	(56,757)	–
Disposal of a subsidiary (Note 27(a))	(97)	(7,532)	–	(179)	–	(223)	–	(12,547)	(20,578)
Classified as held for sale (Note 27(c))	(7,966)	–	–	(76)	(12,801)	–	(339)	(695)	(21,877)
Exchange realignment	347	933	7	243	2,558	339	1,078	2,806	8,311
At 31 December 2021 and 1 January 2022	140,810	28,606	358	3,795	109,549	1,505	16,790	54,194	355,607
Additions	354	3,946	–	164	314	54	340	112,821	117,993
Disposals	–	–	–	–	–	–	(481)	–	(481)
Write off	–	–	–	(4)	–	–	–	(172)	(176)
Lease modification	(436)	–	–	–	–	–	–	–	(436)
Reclassification	6,653	–	–	303	12,561	196	613	(20,326)	–
Exchange realignment	(10,913)	(2,344)	(20)	(557)	(9,741)	(419)	(848)	(6,627)	(31,469)
At 31 December 2022	136,468	30,208	338	3,701	112,683	1,336	16,414	139,890	441,038
Accumulated depreciation and impairment									
At 1 January 2021	47,731	6,283	1,281	1,486	35,925	1,027	8,657	–	102,390
Depreciation	6,207	686	8	541	8,762	295	1,310	–	17,809
Disposals	–	–	–	(62)	–	–	–	–	(62)
Write off	(5,363)	–	(1,226)	–	–	(649)	–	–	(7,238)
Disposal of a subsidiary (Note 27(a))	(79)	–	–	(148)	–	(201)	–	–	(428)
Classified as held for sale (Note 27(c))	(1,210)	–	–	(56)	(1,188)	–	(211)	–	(2,665)
Exchange realignment	1,527	219	2	111	1,929	329	963	–	5,080
At 31 December 2021 and 1 January 2022	48,813	7,188	65	1,872	45,428	801	10,719	–	114,886
Depreciation	5,909	705	41	448	8,629	185	1,390	–	17,307
Disposals	–	–	–	–	–	–	(411)	–	(411)
Impairment loss	3,282	–	–	–	–	–	–	–	3,282
Lease modification	(436)	–	–	–	–	–	–	–	(436)
Written Off	–	–	–	(4)	–	–	–	–	(4)
Exchange realignment	(4,032)	(582)	(4)	(122)	(3,529)	(198)	(811)	–	(9,278)
At 31 December 2022	53,536	7,311	102	2,194	50,528	788	10,887	–	125,346
Net book value									
At 31 December 2022	82,932	22,897	236	1,507	62,155	548	5,527	139,890	315,692
At 31 December 2021	91,997	21,418	293	1,923	64,121	704	6,071	54,194	240,721

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

(i) Right-of-use assets are included in items of property, plant and equipment as summarised below:

	Land and buildings HK$'000	Land use rights HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
At 1 January 2021	8,036	21,390	228	26,048	55,702
Additions	3,152	7,532	–	–	10,684
Depreciation	(2,919)	(686)	(238)	(1,042)	(4,885)
Disposal of a subsidiary	(47)	(7,532)	–	–	(7,579)
Exchange realignment	234	714	10	472	1,430
At 31 December 2021 and 1 January 2022	8,456	21,418	–	25,478	55,352
Additions	435	3,946	–	–	4,381
Depreciation	(2,276)	(705)	–	(1,079)	(4,060)
Exchange realignment	(536)	(1,762)	–	(1,971)	(4,269)
At 31 December 2022	6,079	22,897	–	22,428	51,404

The Group leases various items of motor vehicles and plant and machinery used in its operations with lease terms of 3 years. The leases do not have option to renew or any contingent rental provisions. Leases of these right-of-use assets are secured by corporate guarantee of a subsidiary of the Company, personal guarantee by a major shareholder of the Company, Ms. Ma Zheng, and director of the Company, Mr Yuan Geng.

(ii) As at 31 December 2022, certain of the Group's land and buildings of approximately HK$54,264,000 (2021: HK$13,005,000) and construction in progress of approximately HK$30,252,000 (2021: HK$Nil) were pledged to secure bank borrowings granted to the Group (Note 31).

(iii) During the year ended 31 December 2022, due to the continuously decline in the property market prices in the PRC, the Group recognised an impairment loss of HK$3,282,000 to write down the carrying amount of certain properties of HK$17,954,000 to its recoverable amount of HK$14,756,000. The Group determined the recoverable amount of these assets based on its fair value less costs of disposal estimated by using the direct comparison approach which based on significant inputs of the Group's properties in the PRC, including price per square compared to the recent sales on the comparable transactions. The valuation was carried out by an independent valuer. The fair value less costs of disposal of properties is classified as a Level 2 measurement.

17. INVESTMENT PROPERTIES

The Group's investment properties are industrial properties in the PRC. The fair value of the Group's investment properties at the end of the reporting period was determined based on market valuation performed by Fairdex Valuation Advisory Limited ("Fairdex"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

The investment properties are leased to third parties under operating leases, further details of which are included in Note 36.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2022	2021
	HK$'000	HK$'000
Opening balance	**228,406**	220,223
Additions		
– subsequent expenditure	**–**	2,446
Loss from remeasurement to fair value	**(2,028)**	(1,564)
Exchange realignment	**(17,886)**	7,301
Closing balance	**208,492**	228,406

The fair value is determined by applying the income approach, using the investment method whereby the estimated market rental receivables during the term of the tenancies are capitalised at appropriate yield with due allowance for the revisionary income potential of the properties.

Significant unobservable inputs

	2022	2021
Term yield	**5.5%**	5.5%
Reversionary yield	**6.5%**	6.5%
Market rental	**RMB12.0 to 13.2 per square meter**	RMB12.0 to 13.0 per square meter

The higher the term yield and reversionary yield, the lower the fair value. The higher the rental growth rate, the higher the fair value. There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

17. INVESTMENT PROPERTIES (Continued)

Since significant judgement is required when evaluating the inputs used in the fair value estimate, reasonably possible changes at the reporting date to any of the relevant assumptions would have affected the fair value of the investment property as presented below:

	2022	2021
	HK$'000	HK$'000
Term yield decreased by 1% (2021: 1%)	**2,148**	3,055
Reversionary yield decreased by 1% (2021: 1%)	**22,049**	23,839
Market value decreased by 5% (2021: 5%)	**(7,146)**	(7,227)

During the years ended 31 December 2022 and 2021, there were no transfers in to or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

As at 31 December 2022, certain of the Group's investment properties with aggregate carrying value of HK$159,543,000 (2021: HK$175,059,000) were pledged to secure the bank loans granted to the Group as set out in Note 31.

18. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 and 2021 were as follows:

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiary	
e-gameasia.com Ltd	British Virgin Islands ("BVI")/Hong Kong	10,279,450 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	BVI/Hong Kong	1 ordinary share of US$0.01 each	100%	100%	–	Investment holding
China Primary Energy Holdings Limited	BVI/Hong Kong	20,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Billybala iGame Limited	Hong Kong	7 ordinary shares of HK$1 each	100%	–	100%	Provision of administrative services to group companies
China Primary Sky Valley (Yichang) Composites Co. Ltd. (Note (iii))	PRC	RMB66,596,816	100%	–	100%	Property investment
China Primary Energy (Shenzhen) Limited (Note (iii))	PRC	HK$250,000,000	100%	–	100%	Investment holding
China Primary (Shenzhen) Energy Technology Co. Ltd. (Note (iii))	PRC	HK$20,696,000	100%	–	100%	Provision of administrative services to group companies
Fujian China Primary Energy Limited (Note (iii))	PRC	RMB20,000,000	70%	–	70%	Transmission and distribution of natural gas
Tengchong China Primary Energy Limited (Note (iii))	PRC	RMB20,000,000	100%	–	100%	Transmission and distribution of natural gas
Yichang China Primary Natural Gas Utilisation Company Limited (Note (iii))	PRC	RMB48,480,000	51%	–	51%	Transition and distribution of natural gas

18. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiary	Principal activity
Three Gorges Changgang New Energy (Yichang) Company Limited (Note (iii))	PRC	RMB3,616,000	100%	–	100%	Development and use of new energy technology
China Primary (Yichang) Plastic Pipes Company Limited (Note (iii))	PRC	HK$127,987,514	100%	–	100%	Property investment
China Primary (Yichang) New Energy Company Limited (Note (iii))	PRC	RMB7,254,559	100%	–	100%	Property investment
China Primary (Yichang) New Materials Company Limited (Note (iii))	PRC	RMB10,485,600	100%	–	100%	Property investment
Anqing China Primary Energy Company Limited (Note (iii))	PRC	RMB40,000,000	85%	–	85%	Sale of heat and biomass gasification related products
Huaining China Primary Energy Limited (Note (iii))	PRC	RMB40,000,000	85%	–	100%	Sale of heat and biomass gasification related products
Wuhu Shi Da New Energy Technology Company Limited (Note (iii))	PRC	RMB30,000,000	91.67%	–	91.67%	Transmission and distribution of natural gas
Nanping China Primary Natural Gas Logistics Company Limited (Note (iii))	PRC	RMB10,000,000	70%	–	100%	Transmission and distribution of natural gas

Notes:

(i) The business structure of each of these subsidiaries is limited liability company.

(ii) None of the subsidiaries had issued any debt securities at the end of the year.

(iii) The English name of the subsidiary represents the best effort by the Company's management to translate from its Chinese name as this subsidiary has no official English name.

In the opinion of the directors, the above subsidiaries principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. GOODWILL

	2022 HK$'000	2021 HK$'000
At 1 January	**17,063**	16,517
Exchange realignment	**(1,338)**	546
At 31 December	**15,725**	17,063

As at 31 December 2022, the Group recognised goodwill in total of HK$15,725,000 (2021: HK$17,063,000) arising from the acquisition of two businesses engaged in transmission and distribution of natural gas in the PRC.

Impairment testing on goodwill

For goodwill impairment testing purposes, the goodwill carrying amounts were allocated to the CGUs represented by two businesses acquired as below:

	2022			2021		
	CGU 1 – Fujian CP Energy HK$'000	**CGU 2 – Wuhu Shi Da HK$'000**	**Total HK$'000**	CGU 1 – Fujian CP Energy HK$'000	CGU 2 – Wuhu Shi Da HK$'000	Total HK$'000
At 1 January	**14,670**	**2,393**	**17,063**	14,201	2,316	16,517
Exchange realignment	**(1,150)**	**(188)**	**(1,338)**	469	77	546
	13,520	**2,205**	**15,725**	14,670	2,393	17,063

19. GOODWILL (Continued)

The directors of the Company determined the recoverable amounts of the CGUs from their fair value less costs of disposal based on the business valuations performed by an independent firm of professional valuer, Fairdex, using the income approach. The income approach was adopted to arrive at fair value of the CGUs, based on cash flow projections by applying the following key assumptions.

	2022		2021	
	CGU 1	**CGU 2**	CGU 1	CGU 2
Long-term growth rate beyond five year	**2%**	**2%**	2%	2%
Pre-tax discount rate	**19.62%**	**24.91%**	19.11%	22.75%
Gross margin	**37%**	**7%**	38%	13%

The key assumptions were determined based on past performance and management's expectations of market development. The discount rates used reflect specific risks relating to the two businesses.

For the years ended 31 December 2022 and 2021

The directors of the Company concluded that both CGU 1 and CGU 2 demonstrated sufficient cash flows to justify the carrying value of the goodwill, and management is not currently aware of any other possible changes that would necessitate changes in the key assumptions. Since the recoverable amounts of both CGU 1 and CGU 2 were exceeded the respective carrying amount of those CGUs, and therefore no impairment of goodwill was necessary for the years ended 31 December 2022 and 2021.

20. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000	Energy use right HK$'000	Emission right HK$'000	Total HK$'000
Cost				
At 1 January 2021	3,618	949	1,625	6,192
Disposal of a subsidiary (Note 27(a))	–	(962)	(1,609)	(2,571)
Exchange realignment	170	13	(16)	167
At 31 December 2021 and 1 January 2022	3,788	–	–	3,788
Exchange realignment	(273)	–	–	(273)
At 31 December 2022	3,515	–	–	3,515
Amortisation				
At 1 January 2021	2,390	–	–	2,390
Amortisation	378	–	–	378
Exchange realignment	85	–	–	85
At 31 December 2021 and 1 January 2022	2,853	–	–	2,853
Amortisation	378	–	–	378
Exchange realignment	(233)	–	–	(233)
At 31 December 2022	2,998	–	–	2,998
Net book value				
At 31 December 2022	517	–	–	517
At 31 December 2021	935	–	–	935

Customer relationships was recognised by the Group upon the acquisition of the subsidiary in 2014 and is amortised on a straight-line method over the period of 10 years.

The Group's goodwill (Note 19) and customer relationships listed above which arose from the business acquisition of Fujian CP Energy in 2014 are allocated to the CGU 1 in relation to the Group's natural gas business for impairment testing as detailed in Note 19.

21. EQUITY INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Unlisted equity investment, at fair value (Note (b))	**13,220**	5,370
Listed equity securities, at fair value (Note (c))	**156**	682
	13,376	6,052

Notes:

(a) The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(b) For the year ended 31 December 2021, the Group disposed of its 90% equity interest in Yichang City Yiling District China Primary Thermal Power Limited ("Yiling CP Thermal Power"), a private company established in the PRC, as detailed in Note 27(a), and recognised the remaining 10% equity interest in Yiling CP Thermal Power as investment held for long-term strategic purpose. The fair value of this unlisted equity investment is estimated based on the Group's share of the investee company's net asset value as at the end of the reporting period, as determined by an independent firm of professional valuer.

(c) The balance represented the listed equity securities which are listed and traded on the OTC Pink in the United States. The fair value was based on quoted market price as at 31 December 2022.

22. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**8,140**	9,551

23. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**26,893**	25,669
Less: provision for impairment	**(8,161)**	(8,755)
	18,732	16,914

(a) For the business of transmission and distribution of natural gas and sale of heat and biomass gasification related products, credit terms are within 30 days to 60 days. For the business of property investment, tenants are required to pay rentals, generally 1 to 3 months, in advance. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management. Further details on the Group's credit risk arising from trade debtors and related impairment assessment are set out in Note 41(a).

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

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

Note:

The Group recognised impairment loss based on the accounting policy stated in Note 4(i)(ii).

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

	2022 HK$'000	2021 HK$'000
Within 30 days	**18,421**	16,914
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**311**	–
	18,732	16,914

23. TRADE RECEIVABLES (Continued)

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

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

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

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a)

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

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

Details of impairment assessment of other receivables are set out in Note 41(a).

25. INVESTMENTS HELD FOR TRADING

	2022	2021
	HK$'000	HK$'000
Listed equity securities held at fair value		
– listed in Hong Kong	**43**	79

26. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

As at 31 December 2022, the Group's bank deposit of RMB50,000,000 (equivalent to HK$56,536,000) (2021: RMB50,000,000 (equivalent to HK$61,347,000)) was pledged to secure bank borrowings of RMB45,000,000 (equivalent to HK$50,882,000) (2021: RMB45,000,000 (equivalent to HK$55,212,000)) (Note 31).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

At the end of the reporting period, pledged bank deposit and cash and cash equivalents of the Group denominated in RMB amounted to HK$89,350,000 (2021: HK$171,673,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27. DISPOSAL OF SUBSIDIARIES/ASSETS CLASSIFIED AS HELD FOR SALE IN PREVIOUS YEAR

(a) Disposal of 90% equity interest in Yiling CP Thermal Power

On 26 April 2021, the Group entered into the sale and purchase agreement with an independent third party purchaser, pursuant to which the purchaser agreed to purchase and the Group agreed to sell its 90% equity interest in Yiling CP Thermal Power for a consideration of RMB41,760,000 (equivalent to approximately HK$50,210,000). This disposal transaction constituted a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further details of this transaction were set out in the Company's announcements dated 26 April 2021 and 17 May 2021. The disposal was duly completed on 24 August 2021. Accordingly, Yiling CP Thermal Power ceased to be a subsidiary of the Company and the Group recognised the remaining 10% equity interest in Yiling CP Thermal Power as equity instruments measured at FVTOCI (Note 21).

The net assets of Yiling CP Thermal Power at the disposal date were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	20,150
Other intangible assets	2,571
Other receivables, deposits and prepayments	28,742
Cash and cash equivalents	147
Other payables and accruals	(9,266)
	42,344

Reconciliation of gain on disposal of a subsidiary:

	HK$'000
Consideration of the disposal	50,210
Net assets of a subsidiary disposed of	(42,344)
Fair value of the Group's retained interest in Yiling CP Thermal Power	4,374
Cumulative exchange differences reclassified from equity to profit or loss	2,310
Gain on disposal of a subsidiary	14,550

An analysis of the net cash inflows arising from the disposal of a subsidiary:

	HK$'000
Cash consideration	50,210
Cash and cash equivalents disposed of	(147)
	50,063

27. DISPOSAL OF SUBSIDIARIES/ASSETS CLASSIFIED AS HELD FOR SALE IN PREVIOUS YEAR (Continued)

(b) Partial disposal of 49% equity interest in Yichang China Primary Natural Gas Utilisation Company Limited ("Yichang Gas")

On 26 April 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 49% equity interest in a subsidiary, Yichang Gas, for cash consideration of RMB490,000 (equivalent to approximately HK$590,000). Upon the completion of this disposal on 24 August 2021, the Group retained its control over this subsidiary but the equity interest in Yichang Gas was reduced to 51%.

(c) Assets classified as held for sale

The Group's wholly owned subsidiary, Tengchong China Primary Energy Limited ("Tengchong CP"), was established in November 2014 which obtained the right to engage in the business of transmission and distribution of natural gas within the area of Tengchong CP, the PRC. In order to fulfill the request of the local government due to certain change of local policy and city planning, the Group and the local government of Tengchong CP reached an agreement during the year, pursuant to which Techchong CP agreed to cease its operation of transmission and distribution of natural gas in Tengchong CP and transfer all related property, plant and equipment to the local government, and in return the local government agreed to pay a compensation of RMB23,997,000 (equivalent to approximately HK$29,443,000) to Tengchong CP. The related property, plant and equipment with total carrying amount of RMB15,658,000 (equivalent to approximately HK$19,212,000) were reclassified as held for sale in the consolidated statement of financial position as at 31 December 2021. This transaction is not constituted as a discontinued operation of the Group. The completion of disposal (i.e. the transfer of control of assets) was completed during the year ended 31 December 2022 and resulted in a gain on disposal on assets classified as held for sale of HK$9,426,000.

28. TRADE PAYABLES

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

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

29. OTHER PAYABLES AND ACCRUALS

	2022 **HK$'000**	2021 HK$'000
Other payables and accruals	**47,897**	37,795
Rental deposit received	**4,445**	4,819
	52,342	42,614

Other payables and accruals mainly included the construction cost payable to contractors of HK$6,724,000 (2021: HK$605,000) and the amount of HK$15,573,000 (2021: HK$Nil) payable to a non-controlling shareholder, which is unsecured, interest-bearing at 4.9% (2021: HK$Nil) per annum and repayable by 31 December 2023.

30. LOANS FROM A MAJOR SHAREHOLDER

	2022 **HK$'000**	2021 HK$'000
Loans from a major shareholder comprised of:		
– current portion	**1,325**	1,325
– non-current portion	**34,631**	28,273
	35,956	29,598

The balance represented loans advanced by Ms. Ma Zheng, a director and major shareholder of the Company. The loans are unsecured, interest-bearing at 15% (2021: 15%) per annum and repayable by 30 June 2024 (2021: 30 June 2023) and 30 June 2023 for the non-current and current portion respectively.

31. BANK BORROWINGS AND LOAN FACILITIES

(a) The Group had the following interest-bearing borrowings at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Current		
– secured bank term loans	**88,689**	18,151
– unsecured bank loans	**84,898**	12,809
– secured bank revolving loans	**50,882**	55,212
	224,469	86,172
Non-current		
– secured bank term loans	**38,969**	92,625
– unsecured bank loan	**–**	88,413
	38,969	181,038
Total	**263,438**	267,210

As at 31 December 2022 and 2021, the bank loans were secured by the following:

(i) Certain investment properties (Note 17);

(ii) Certain property, plant and equipment (Note 16);

(iii) Pledged bank deposit (Note 26);

(iv) Corporate guarantee by a subsidiary of the Company;

(v) Corporate guarantee by a non-controlling shareholder;

(vi) Corporate guarantees by certain independent third parties;

(vii) Legal charge over properties of Ms. Ma Zheng, a major shareholder and director of the Company; and

(viii) Personal guarantees by directors of subsidiaries, Mr. Wei Bu Ti and Mr. Yan Yong and their spouses.

As at 31 December 2022, the effective interest rate of the interest-bearing borrowing was 4.678% per annum (2021: 4.933% per annum).

The carrying amounts of all borrowings are carried at amortised cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the borrowings are denominated in RMB.

31. BANK BORROWINGS AND LOAN FACILITIES (Continued)

(b) The Group's undrawn bank and other loan facilities at the end of reporting period are as follows:

	2022 HK$'000	2021 HK$'000
Bank loan facilities		
Expiring within one year	**4,692**	–
Expiring in the second to fifth year inclusive	**40,117**	2,515
Expiring after fifth year	**214,835**	39,115
	259,644	–
Other loan facilities		
Expiring within one year	**7,044**	–
	7,044	–
Total	**266,688**	41,630

The Group's loan facilities were granted by three (2021: two) banks operated in the PRC and a non-controlling shareholder. As at 31 December 2022 and 2021, the undrawn bank facilities were secured by the following:

(i) Certain investment properties (Note 17);

(ii) Certain property, plant and equipment (Note 16(ii)); and

(iii) Legal charge over a property of Ms. Ma Zheng.

32. DEFERRED TAX LIABILITIES

Below set out the details of the deferred tax liabilities recognised and movements during the year:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments on investment properties HK$'000	Total HK$'000
At 1 January 2021	(913)	(27,115)	(28,028)
Charged to profit or loss for the year (Note 11)	–	391	391
Exchange realignment	(31)	(891)	(922)
At 31 December 2021 and 1 January 2022	(944)	(27,615)	(28,559)
Charged to profit or loss for the year (Note 11)	–	507	507
Exchange realignment	74	2,153	2,227
At 31 December 2022	(870)	(24,955)	(25,825)

32. DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2022, the Group had unused tax losses arising in Hong Kong of HK$1,733,000 (2021: HK$1,733,000) and the PRC of HK$50,925,000 (2021: HK$59,565,000) which are available for offset against future taxable profits of the group companies in which the losses arose for an indefinite period and for a period of five years respectively. Deferred tax assets have not been recognised in respect of these losses as they have been arisen in respect of certain group companies that have been loss-making for some years.

33. SHARE CAPITAL

	Number of Shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0625 each at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK$0.0625 each at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,023,987	63,999

34. SHARE OPTION SCHEME

Equity-settled share option scheme

The Group maintained a share option scheme for employee or compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On 8 May 2012, a share option scheme (the "Old Share Option Scheme") was adopted by the shareholders of the Company. This scheme was in force for a period of ten years and expired on 8 May 2022. All the 159,268,743 outstanding options granted under this scheme were lapsed.

A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting of the Company held on 17 May 2022 (the "Adoption Date"). The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. There are no material changes of the terms under the Share Option Scheme. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the Adoption Date on which the scheme becomes unconditional.

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option scheme (Continued)

The definition of eligible person in the Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

No share options were granted by the Company and no share options were exercised or lapsed under the Share Option Scheme during the year ended 31 December 2022.

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option scheme (Continued)

Share options granted on 10 April 2015

On 10 April 2015, the Company granted share options to eligible participants to subscribe for a total of 81,720,000 ordinary shares of HK$0.0625 each (with exercise price of HK$0.87 per share) in the share capital of the Company under the Old Share Option Scheme. Details of the share options granted and movement in such holding during the year are as follows:

2022				Number of share options		
Name or category of participant	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2022	Lapsed during the year	Outstanding as at 31 December 2022
Directors						
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	820,000	(820,000)	–
Mr. Wong Pui Yiu (Note)	10 April 2015	1 April 2018 – 7 May 2022	0.87	3,500,000	(3,500,000)	–
Mr. Yuan Geng	10 April 2015	1 April 2018 – 7 May 2022	0.87	8,000,000	(8,000,000)	–
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	(700,000)	–
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	(700,000)	–
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	(700,000)	–
Sub-total				14,420,000	(14,420,000)	–
Others						
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	42,450,000	(42,450,000)	–
Sub-total				42,450,000	(42,450,000)	–
Total				56,870,000	(56,870,000)	–

Note: On 1 February 2022, Mr. Wong Pui Yiu retired as an executive director of the Company and the related 3,500,000 share options were lapsed upon his retirement.

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option scheme (Continued)

2021

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK$	Number of share options: Outstanding as at 1 January 2021	Lapsed during the year	Outstanding as at 31 December 2021
Directors						
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	820,000	–	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	3,500,000	–	3,500,000
Mr. Yuan Geng	10 April 2015	1 April 2018 – 7 May 2022	0.87	8,000,000	–	8,000,000
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	–	700,000
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	–	700,000
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	700,000	–	700,000
Sub-total				14,420,000	–	14,420,000
Others						
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	42,450,000	–	42,450,000
Sub-total				42,450,000	–	42,450,000
Total				56,870,000	–	56,870,000

During the year ended 31 December 2022, all share options were lapsed, as detailed above and the corresponding share option reserve amounted to HK$24,066,000 was released upon lapse of share options during the year as stated in the consolidated statement of changes in equity (2021: HK$Nil).

35. LEASE LIABILITIES

Set out below are the carrying amount of lease liabilities and the movement during the year:

	2022 HK$'000	2021 HK$'000
As at 1 January	8,472	9,691
Interests	654	296
Lease payments	(3,092)	(4,593)
Addition	435	2,716
Exchange realignment	(533)	362
As at 31 December	5,936	8,472
Less: Current portion	(1,805)	(2,418)
Non-current portion	4,131	6,054

Future lease payments are due as follows:

	Minimum lease payments 31 December 2022 HK$'000	Interest 31 December 2022 HK$'000	Present value 31 December 2022 HK$'000
Not later than one year	2,268	463	1,805
Later than one year and not later than five years	4,335	649	3,686
Later than five years	452	7	445
	7,055	1,119	5,936

35. LEASE LIABILITIES (Continued)

	Minimum lease payments 31 December 2021 HK$'000	Interest 31 December 2021 HK$'000	Present value 31 December 2021 HK$'000
Not later than one year	2,674	620	2,054
Later than one year and not later than five years	6,602	1,129	5,473
Later than five years	967	22	945
	10,243	1,771	8,472

During the year ended 31 December 2022, total lease paid by the Group was HK$3,092,000 (including both principal and interest) (2021: HK$4,593,000).

36. OPERATING LEASES

As lessor

At the end of each reporting period, the undiscounted lease payments receivable by the Group in future periods in respect of leased properties under non-cancellable lease as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**16,181**	19,041
Later than one year and not later than two years	**17,381**	16,221
Later than two years and not later than three years	**14,908**	17,836
Later than three years and not later than four years	**16,481**	15,152
Later than four years and not later than five years	**13,607**	16,859
Over five years	**34,480**	37,384
	113,038	122,493

37. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Contracted for but not provided:		
– acquisition of property, plant and equipment	**131,364**	21,469

38. NOTES SUPPORTING STATEMENT OF CASH FLOWS

(a) Non-cash transactions

During the year ended 31 December 2022, the Group has non-cash addition to right-of-use assets and lease liabilities in the same amount of HK$435,000 (2021: HK$2,716,000) in respect of lease arrangements of land and buildings.

(b) Reconciliation of liabilities arising from financing activities:

	Loans from a major shareholder (Note 30) HK$'000	Lease liabilities (Note 35) HK$'000	Bank borrowings (Note 31) HK$'000
At 1 January 2022	29,598	8,472	267,210
Changes from cash flows:			
Proceeds from bank borrowings	–	–	169,232
Repayment of bank borrowings	–	–	(151,597)
Loans from a major shareholder	2,016	–	–
Repayment of principal portion of lease liabilities	–	(2,438)	–
Interest on lease liabilities	–	(654)	–
Interest on borrowings	–	–	(8,536)
Total changes from financing cash flows	2,016	(3,092)	9,099
Other changes:			
Interest on borrowings	4,342	–	8,536
Interest on lease liabilities	–	654	–
New lease liabilities	–	435	–
Exchange adjustments	–	(533)	(21,407)
Total other changes	4,342	556	(12,871)
At 31 December 2022	35,956	5,936	263,438

38. NOTES SUPPORTING STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Loans from a major shareholder (Note 30) HK$'000	Lease liabilities (Note 35) HK$'000	Bank borrowings (Note 31) HK$'000
At 1 January 2021	25,925	9,691	136,460
Changes from cash flows:			
Proceeds from bank borrowings	–	–	259,607
Repayment of bank borrowings	–	–	(130,455)
Loans from a major shareholder	7,300	–	–
Repayment of loans from a major shareholder	(407)	–	–
Repayment of principal portion of lease liabilities	–	(4,297)	–
Interest on lease liabilities	–	(296)	–
Interest on borrowings	(7,160)	–	(8,049)
Total changes from financing cash flows	(267)	(4,593)	121,103
Other changes:			
Interest on borrowings	3,940	–	8,049
Interest on lease liabilities	–	296	–
Revision of lease term arising from changes in the non-cancellable lease period	–	–	–
New lease liabilities	–	2,716	–
Exchange adjustments	–	362	1,598
Total other changes	3,940	3,374	9,647
At 31 December 2021	29,598	8,472	267,210

39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Except for those disclosed in Notes 10 and 30 of these consolidated financial statements, the Group had no other significant related party transactions during the years ended 31 December 2022 and 2021.

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 15(a) to the financial statements.

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has approximately 92% determined as the proportion of total debts to total equity as defined above.

The gearing ratios were as follows:

	2022 **HK$'000**	2021 HK$'000
Bank borrowings	**263,438**	267,210
Total debts	**263,438**	267,210
Total equity	**285,978**	323,386
Gearing ratio	**92%**	83%

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. The default risk experienced in the industry in which the customers operate also has an influence on credit risk, but to a lesser extent. As at 31 December 2022, the Group has concentration of credit risk as 73% (2021: 79%) of the total trade receivables were due from the Group's largest customer in relation to transmit and distribution of natural gas segment. This largest customer represented a listed company in PRC.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021:

As at 31 December 2022

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Collective assessment				
Current (not past due)	–	18,421	–	18,421
Less than 31 days past due	–	–	–	–
31-60 days past due	–	–	–	–
61-90 days past due	–	–	–	–
Over 90 days but less than 1 year past due	11%	347	(36)	311
More than 1 year past due	100%	2,356	(2,356)	–
		21,124	(2,392)	18,732
Individual assessment	100%	5,769	(5,769)	–
		26,893	(8,161)	18,732

As at 31 December 2021

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Collective assessment				
Current (not past due)	–	16,914	–	16,914
Less than 31 days past due	–	–	–	–
31-60 days past due	–	–	–	–
61-90 days past due	–	–	–	–
Over 90 days but less than 1 year past due	–	–	–	–
More than 1 year past due	100%	2,481	(2,481)	–
		19,395	(2,481)	16,914
Individual assessment	100%	6,274	(6,274)	–
		25,669	(8,755)	16,914

41. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not individually credit-impaired related to a number of independent customers with good track of record with the Group. Based on the lifetime ECLs assessment, the management estimated a net impairment loss for these receivables amounted to HK$613,000 (2021: a net impairment loss of HK$595,000) for the year ended 31 December 2022.

Receivables that were past due but individually credit-impaired related to balance of a number of independent customers which have been long outstanding and management assessed them to be irrecoverable. As at 31 December 2022, a net impairment loss reversal of trade receivables of HK$585,000 (2021: a net impairment loss reversal of HK$1,641,000) was recognised for these receivables.

The movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2022 and 2021 is set out to the consolidated financial statements (Note 23(b)).

In assessing credit risk exposure from other receivables, the management individually assessed the credit loss of other receivables that have been long outstanding and assessed to be credit-impaired. As at 31 December 2022, net impairment loss reversal of these other receivables of HK$450,000 (2021: net impairment loss of HK$412,000) was recognised. Other receivables not individually credit-impaired related to a number of independent third parties with good track of record with the Group. Therefore, the management considers there is a low risk of default and the expected credit loss from these other receivables is immaterial.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are the major banks in PRC and Hong Kong with established credit ratings, for which the Group considers to have low credit risk. Given the high credit ratings of the banks, management does not expect any counterparties to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables, deposits and prepayments are set out in Notes 23 and 24 respectively.

41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2022						
Trade payables	**12,473**	**12,473**	**12,473**	**–**	**–**	**–**
Other payables and accruals	**40,787**	**40,787**	**40,787**	**–**	**–**	**–**
Loans from a major shareholder	**35,956**	**35,956**	**1,325**	**34,631**	**–**	**–**
Lease liabilities	**5,936**	**5,936**	**1,805**	**1,384**	**2,302**	**445**
Bank borrowings	**263,438**	**263,438**	**224,469**	**17,638**	**15,860**	**5,471**
	358,590	**358,590**	**280,859**	**53,653**	**18,162**	**5,916**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2021						
Trade payables	6,340	6,340	6,340	–	–	–
Other payables and accruals	30,774	30,774	30,774	–	–	–
Loans from a major shareholder	29,598	29,598	1,325	28,273	–	–
Lease liabilities	8,472	10,243	2,674	2,118	4,484	967
Bank borrowings	267,210	267,210	86,172	138,549	30,544	11,945
	342,394	344,165	127,285	168,940	35,028	12,912

41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

		Maturity Analysis – bank loans subject to a repayment on demand clause based on scheduled repayments				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2022	**263,438**	**263,438**	**224,469**	**17,638**	**15,860**	**5,471**
31 December 2021	267,210	267,210	86,172	138,549	30,544	11,945

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings at floating rates expose the Group to cash flow interest rate risk.

The following table details the interest rate profile of the Group at the end of reporting period.

	2022		2021	
	Effective interest rate %	**HK'000**	Effective interest rate %	HK'000
Variable rate				
Bank borrowings	**4.678%**	**263,438**	4.933%	267,210
Bank balances	**1.331%**	**(33,106)**	0.116%	(111,668)
Total net bank borrowings		**230,332**		155,542

It is estimated that as at 31 December 2022, a general increase/decrease of 100 basis points (2021: 100 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's profit or loss after income tax and accumulated losses by HK$2,303,000 (2021: HK$1,555,000).

41. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

(e) Price risk – Equity price risk

The Group is exposed to equity price changes arising from unlisted equity investments classified as financial assets at FVTOCI as at 31 December 2022.

The management would manage its exposure arising from the investment by closely monitoring the performance of the respective unlisted equity investments and market conditions.

At 31 December 2022, it is estimated that an increase/decrease of 5% in the net asset value of this unlisted equity investment, with all other variables held constant, would have increased/decreased the Group's fair value reserve (other components of consolidated equity) by approximately HK$661,000 (2021: HK$50,000).

(f) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subject in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2022 and 2021 may be categorised as follows:

	2022	2021
	HK$'000	HK$'000
Financial assets		
Financial assets measured at amortised cost (including pledged bank deposit and cash and cash equivalents)	**150,171**	220,498
Investments held for trading at fair value through profit or loss	**43**	79
Financial assets at fair value through other comprehensive income – equity investments	**13,376**	6,052
Financial liabilities		
Financial liabilities measured at amortised cost	**358,592**	351,453

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, pledged bank deposit, trade and other receivables, trade and other payables, loans from a major shareholder, lease liabilities and bank borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, pledged bank deposit, trade and other receivables, trade and other payables, loans from a major shareholder and bank borrowings approximates to their fair value.

The fair value of lease liabilities have been determined by discounting the expected future cash flows using incremental borrowing rates.

(b) Financial instruments measured at fair value

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset that are not based on observable market data (unobservable inputs).

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Investments held for trading				
– listed	**43**	**–**	**–**	**43**
Equity instruments designated at FVTOCI				
– listed equity investment	**156**	**–**	**–**	**156**
– unlisted equity investment	**–**	**–**	**13,220**	**13,220**

	2021			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Investments held for trading				
– listed	79	–	–	79
Equity instruments designated at FVTOCI				
– listed equity investment	682	–	–	682
– unlisted equity investment	–	–	5,370	5,370

There were no transfers between levels during the year.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2022 **HK$'000**	2021 HK$'000
Unlisted equity investment		
At 1 January	**5,370**	–
Acquired upon the disposal of a subsidiary	**–**	4,374
Additions	**3,426**	435
Change in fair value recognised in other comprehensive income	**4,577**	561
Exchange realignment	**(153)**	–
At 31 December	**13,220**	5,370

Information about level 3 fair value measurements:

Significant unobservable inputs	**Relationship of unobservable inputs to fair value**
Unlisted equity investment	
Net assets value of the investee	The higher the net assets value, the higher the fair value
Discount for lack of marketability	The lower the discount for lack of marketability, the higher the fair value
Financial liabilities	
Future price of the underlying equity instrument	The higher the future price, the higher the fair value
Risk-free rate that are specific to the market	The lower the risk-free rate, the higher the fair value
Volatility rates that are in line with those similar products	The higher the volatility rate, the higher the fair value

43. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**722**	1,233
Interests in subsidiaries		**308,227**	317,942
Equity instruments measured at fair value through other comprehensive income		**156**	682
Total non-current assets		**309,105**	319,857
Current assets			
Other receivables, deposits and prepayments		**352**	354
Cash and cash equivalents		**61**	95
Total current assets		**413**	449
Total assets		**309,518**	320,306
Current liabilities			
Other payables and accruals		**5,011**	5,798
Amounts due to subsidiaries		**158,237**	158,302
Lease liabilities		**453**	434
Loan from a major shareholder		**1,325**	1,325
Total current liabilities		**165,026**	165,859
Net current liabilities		**(164,613)**	(165,410)
Non-current liabilities			
Lease liabilities		**273**	726
		273	726
NET ASSETS		**144,219**	153,721
Equity			
Share capital	33	**63,999**	63,999
Reserves	44	**80,220**	89,722
TOTAL EQUITY		**144,219**	153,721

These financial statements were approved and authorised for issue by the board of directors on 22 March 2023.

Ma Zheng
Director

Yuan Geng
Director

44. RESERVES OF THE COMPANY

	Share premium account HK$'000 (Note)	Share option reserve HK$'000	Financial assets at FVTOCI reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2021	714,488	24,066	206	(640,420)	98,340
Loss and total comprehensive income for the year	–	–	443	(9,061)	(8,618)
Balance at 31 December 2021 and 1 January 2022	714,488	24,066	649	(649,481)	89,722
Loss and total comprehensive income for the year	–	–	(526)	(8,976)	(9,502)
Lapse of share options	–	(24,066)	–	24,066	–
Balance at 31 December 2022	714,488	–	123	(634,391)	80,220

Note: The share premium account of the Company includes: (i) the premium arising from issues of shares of the Company at a premium less share issue expenses; and (ii) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

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

Particulars of Investment Properties

31 DECEMBER 2022

	Location	Use	Tenure	Attributable interest of the Group
1.	Factory building No. 1 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%
2.	Factory building No. 2 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%
3.	Factory building No. 3 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%
4.	Factory building No. 4 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%
5.	Factory building No. 5 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%
6.	Factory building No. 6 No. 6 Ya Yuan Road Yao Ting District Yichang City Hubei Province, the PRC	Industrial	Medium term lease	100%

Financial Summary

The following is a summary of the consolidated results and assets and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statements of the Group. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**184,683**	141,544	88,223	91,646	173,224
Other income and gains and losses	**1,598**	2,989	1,948	1,154	2,370
Cost of sales and operating expenses	**(188,232)**	(145,273)	(77,821)	(121,067)	(176,779)
Operating profit/(loss)	**(1,951)**	(740)	12,350	(28,267)	(1,185)
Finance costs	**(6,360)**	(5,014)	(3,499)	(4,500)	(3,763)
Loss before income tax	**(8,311)**	(5,754)	8,851	(32,767)	(4,948)
Income tax	**(3,509)**	(2,505)	251	(466)	(9,499)
Loss for the year	**(11,820)**	(8,259)	9,102	(33,233)	(14,447)
Profit/(loss) attributable to:					
Owners of the Company	**(9,855)**	(7,941)	10,279	(31,260)	(10,717)
Non-controlling interests	**(1,965)**	(318)	(1,177)	(1,973)	(3,730)
	(11,820)	(8,259)	9,102	(33,233)	(14,447)

Assets and Liabilities

	31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**738,521**	752,950	608,215	640,727	672,614
Total liabilities	**(403,103)**	(386,757)	(270,534)	(271,167)	(249,587)
	335,418	366,193	337,681	369,560	423,027