



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

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

2018 Third Quarterly Report  
二零一八年第三季度報告

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

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

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

# Corporate Information

## Board of Directors

### Executive Directors

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

### Independent non-executive Directors

Mr. Lui Tin Nang  
Ms. Ma Lee  
Mr. Lau Kwok Kee

## Company Secretary

Ms. Chan Wai Yee

## Compliance Officer

Mr. Chan Wing Yuen, Hubert

## Board Committees

### Audit Committee

Mr. Lui Tin Nang (*Chairman*)  
Ms. Ma Lee  
Mr. Lau Kwok Kee

### Remuneration Committee

Mr. Lui Tin Nang (*Chairman*)  
Ms. Lin Min, Mindy  
Ms. Ma Lee  
Mr. Lau Kwok Kee

### Nomination Committee

Mr. Lui Tin Nang (*Chairman*)  
Ms. Lin Min, Mindy  
Ms. Ma Lee  
Mr. Lau Kwok Kee

## Authorised Representatives

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

## Registered Office

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

## Principal Place of Business in Hong Kong

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

## Share Registrar and Transfer Office in Cayman Islands

### Codan Trust Company (Cayman) Limited

Cricket Square,  
Hutchins Drive,  
P.O. Box 2681,  
Grand Cayman KY1-111,  
Cayman Islands

## Hong Kong Share Registrar

### Boardroom Share Registrars (HK) Limited

Room 2103B, 21/F, 148 Electric Road,  
North Point,  
Hong Kong

## Legal Advisers to the Company

K&L Gates  
Angela Ho & Associates  
Conyers Dill & Pearman

## Auditor

Deloitte Touche Tohmatsu

## Principal Bankers

The Hong Kong & Shanghai Banking Corporation Limited  
Huaxia Bank  
Shanghai Pudong Development Bank  
Industrial and Commercial Bank of China  
Bank of Communications Co., Ltd  
Bank of China Limited

## Company Website

<http://www.8246hk.com>

## GEM Stock Code

8246

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2018 (the “Current Period”), together with the unaudited comparative figures for the nine months ended 30 September 2017 (the “Corresponding Period”) as follows:

## Financial Highlights

	Three months ended				Increase	Nine months ended				Increase
	30.9.2018		30.9.2017			30.9.2018		30.9.2017		
	RMB'000	HK\$'000*	RMB'000	HK\$'000*		RMB'000	HK\$'000*	RMB'000	HK\$'000*	
Revenue	79,100	89,889	56,354	66,323	40.4%	198,458	225,528	112,876	132,844	75.8%
Gross profit <sup>(a)</sup>	40,162	45,640	21,666	25,499	85.4%	107,101	121,710	48,739	57,361	119.7%
Profit and total comprehensive income for the period	19,033	21,629	1,858	2,187	924.4%	41,285	46,916	5,267	6,199	683.8%
Profit and total comprehensive income attributable to the owners of the Company	16,477	18,724	384	452	4,190.9%	34,412	39,106	2,376	2,796	1,348.3%
Dividend	Nil	Nil	Nil	Nil		Nil	Nil	Nil	Nil	
EBIT	28,699	32,614	6,311	7,427	354.7%	67,578	76,796	14,790	17,406	356.9%
EBITDA	31,403	35,686	6,888	8,083	357.2%	74,949	85,172	16,625	19,566	350.8%
Earnings per share										
Basic	RMB0.47 cents	HK\$0.53 cents	RMB0.01 cents	HK\$0.01 cents	4,600.0%	RMB0.98 cents	HK\$1.11 cents	RMB0.07 cents	HK\$0.08 cents	1,300.0%
Diluted	RMB0.46 cents	HK\$0.52 cents	RMB0.01 cents	HK\$0.01 cents	4,500.0%	RMB0.97 cents	HK\$1.10 cents	RMB0.07 cents	HK\$0.08 cents	1,285.7%

Key Financial Indicators	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Gross profit margin <sup>(b)</sup>	50.8%	38.4%	54.0%	43.2%
Net profit margin <sup>(c)</sup>	24.1%	3.3%	20.8%	4.7%

Notes:

- (a) The calculation of gross profit is based on revenue minus cost of sales.
  - (b) The calculation of gross profit margin is based on gross profit divided by revenue.
  - (c) The calculation of net profit margin is based on profit and total comprehensive income for the period divided by revenue.
- \* Converted to HK\$ at the exchange rate of RMB=HK\$1.1364 on 30 September 2018 for reference.
- ^ Converted to HK\$ at the exchange rate of RMB=HK\$1.1769 on 30 September 2017 for reference.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months and nine months ended 30 September 2018

	Notes	Three months ended		Nine months ended	
		30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)
Revenue	3	<b>79,100</b>	56,354	<b>198,458</b>	112,876
Cost of sales		<b>(38,938)</b>	(34,688)	<b>(91,357)</b>	(64,137)
Gross profit		<b>40,162</b>	21,666	<b>107,101</b>	48,739
Other income	3	<b>265</b>	115	<b>479</b>	584
Other gains and losses		<b>440</b>	(672)	<b>552</b>	(1,824)
Administrative expenses		<b>(11,141)</b>	(13,787)	<b>(36,944)</b>	(29,876)
Selling and distribution expenses		<b>(1,027)</b>	(1,011)	<b>(3,495)</b>	(2,833)
Loss on liquidation of a subsidiary		<b>-</b>	-	<b>(115)</b>	-
Profit before tax	4	<b>28,699</b>	6,311	<b>67,578</b>	14,790
Income tax expense	5	<b>(9,666)</b>	(4,453)	<b>(26,293)</b>	(9,523)
Profit and total comprehensive income for the period		<b>19,033</b>	1,858	<b>41,285</b>	5,267
Profit and total comprehensive income attributable to:					
– the owners of the Company		<b>16,477</b>	384	<b>34,412</b>	2,376
– non-controlling interests		<b>2,556</b>	1,474	<b>6,873</b>	2,891
		<b>19,033</b>	1,858	<b>41,285</b>	5,267
Earnings per share					
– Basic	6	<b>RMB0.47 cents</b>	RMB0.01 cents	<b>RMB0.98 cents</b>	RMB0.07 cents
– Diluted	6	<b>RMB0.46 cents</b>	RMB0.01 cents	<b>RMB0.97 cents</b>	RMB0.07 cents

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2018

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2017 (audited)</b>	3,470	-	4,551	200,488	528	209,037	16,794	225,831
Profit and total comprehensive income recognised for the period	-	-	-	2,376	-	2,376	2,891	5,267
Exercise of share options	70	8,240	(2,643)	-	-	5,667	-	5,667
Recognition of equity-settled share based payments	-	-	6,862	-	-	6,862	-	6,862
<b>At 30 September 2017 (unaudited)</b>	3,540	8,240	8,770	202,864	528	223,942	19,685	243,627
<b>At 1 January 2018 (audited)</b>	3,540	8,240	14,274	242,913	528	269,495	25,166	294,661
Profit and total comprehensive income recognised for the period	-	-	-	34,412	-	34,412	6,873	41,285
Acquisition of assets through acquisition of a non-wholly owned subsidiary (note 9)	-	-	-	-	-	-	17,433	17,433
Recognition of equity-settled share based payments	-	-	12,234	-	-	12,234	-	12,234
<b>At 30 September 2018 (unaudited)</b>	3,540	8,240	26,508	277,325	528	316,141	49,472	365,613

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

## 1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The Company's shares are listed on the GEM of the Stock Exchange since 30 December 2011. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principle place of business in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

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

- (1) provision of diverse integrated new energy services including technological development, construction and consultancy services, operation of liquefied natural gas stations, coupled with trading of new energy related industrial products ("New energy business");
- (2) operation of restaurants and trading of non-staple food ("Catering business"); and
- (3) property investment business ("Property investment").

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34), *Interim Financial Reporting* as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017. The Group has adopted new and revised standards, amendments to standards and interpretations of International Financial Reporting Standards ("new and revised IFRSs") which are effective for accounting periods commencing on or after 1 January 2018. The adoption of such new and revised IFRSs does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies.

The third quarterly condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

### 3. REVENUE AND OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)
<b>Revenue</b>				
New energy business	69,045	46,715	166,835	79,825
Catering business	9,994	9,527	31,507	32,757
Property investment	61	112	116	294
	<b>79,100</b>	56,354	<b>198,458</b>	112,876
<b>Other income</b>				
Interest income	245	39	402	112
Government subsidy (note)	20	–	20	370
Others	–	76	57	102
	<b>265</b>	115	<b>479</b>	584

Note: During the Current Period, a PRC subsidiary received a subsidy of RMB20,000 (2017: RMB370,000) given by the PRC government for encouragement of its business development. There were no specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

### 4. PROFIT BEFORE TAX

	Three months ended		Nine months ended	
	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)
Profit before tax has been arrived after charging the following:				
Directors' emoluments	2,527	3,387	8,718	7,429
Salaries and other allowances	4,478	4,199	13,734	13,190
Retirement benefit scheme contributions, excluding those of Directors	862	757	2,464	2,191
Equity-settled share-based expenses, excluding those of Directors	1,831	3,943	8,672	4,868
	<b>9,698</b>	12,286	<b>33,588</b>	27,678
Depreciation of property, plant and equipment	2,704	557	7,371	1,835



## 5. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Enterprise income tax in the PRC:				
Current tax	9,666	4,964	25,959	10,415
Under/(over) provision in prior years	-	(511)	334	(892)
	9,666	4,453	26,293	9,523

### Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries have no assessable profit arising in or derived in Hong Kong for the nine months ended 30 September 2018 and 2017.

### PRC

PRC subsidiaries located in Tianjin and Shanghai were subject to PRC Enterprise Income Tax at a rate of 25% for the nine months ended 30 September 2018 and 2017.

A subsidiary operating in PRC was fulfilled "Small and Low-profit Enterprises" defined by Enterprise Income Tax Law of People's Republic of China, and was registered with the local tax authority to be eligible to the reduced 20% enterprise income tax rate.

## 6. EARNINGS PER SHARE

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	16,477	384	34,412	2,376

## 6. EARNINGS PER SHARE (continued)

The average number of ordinary shares for the purpose of calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Three months ended		Nine months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	'000	'000	'000	'000
Weighted average number of shares used in the calculation of basic earnings per share	<b>3,499,520</b>	3,436,223	<b>3,499,520</b>	3,434,940
Shares deemed to be issued in respect of:				
– Share options	<b>84,466</b>	35,309	<b>64,375</b>	44,291
Weighted average number of shares used in the calculation of diluted earnings per share	<b>3,583,986</b>	3,471,532	<b>3,563,895</b>	3,479,231

## 7. DIVIDEND

No dividends has been paid or proposed by the Group for the nine months ended 30 September 2018 and 2017.

## 8. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2018 and 2017 are set out in the condensed consolidated statement of the changes in equity on page 5.

## 9. ACQUISITION OF ASSETS THROUGH AN ACQUISITION OF A NON-WHOLLY OWNED SUBSIDIARY

On 7 February 2018, the Group acquired certain assets through acquisition of 81.8% equity interest in 天津津熱天然氣銷售有限公司 (Tianjin Jin Re Natural Gas Sales Company Limited\*) for a cash consideration of RMB78,400,000 (equivalent to approximately HK\$94,394,000) from independent third parties. Tianjin Jin Re Natural Gas Sales Company Limited is permitted to engage in sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; development of new energy technology; leasing and commercial services industry; installation of electric and mechanical equipment; and centralized urban heat supply service.

\* For identification purpose only

## 9. ACQUISITION OF ASSETS THROUGH AN ACQUISITION OF A NON-WHOLLY OWNED SUBSIDIARY (continued)

Details of the net assets acquired in the transaction are as below:

	RMB'000
Property, plant and equipment	87,008
Trade and other receivables	9,993
Bank balances and cash	3
Trade and other payables	(1,171)
Net assets	95,833
Less: non-controlling interest	(17,433)
Total cash consideration	78,400
Net cash outflow arising on acquisition:	RMB'000
Consideration paid in cash	78,400
Less: bank balances and cash acquired	(3)
	78,397

## 10. RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into the following transactions with the related parties:

Name of related party	Nature of transaction	Three months ended		Nine months ended	
		30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2018 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)
上海龐迪商貿有限公司 <sup>(note 1)</sup>	Purchase of inventories	-	78	-	399

Note:

1. 上海龐迪商貿有限公司 is a company beneficially owned by a former director of the Company's subsidiary, whom has been resigned on 13 August 2018.

# Management Discussion and Analysis

## BUSINESS REVIEW

For the third quarter period ended 30 September 2018 (the “Current Period”), the Group continue to adhere to the dual-track development strategy of expanding the New energy business and strengthening the Catering business.

Riding on the promising performance in the New energy business in the first half of 2018, the Group during the Current Period continued to deliver strong contribution from its New energy business while the Catering business remained stable. The Group’s revenue increased by 75.8% year-on-year to RMB198.5 million and net profit after taxation rose by 683.8% to RMB41.3 million. The increase was mainly attributable to the growth of projects completed from the Group’s New energy business.

### New Energy Business

During the Current Period, the company name was changed from “Northern New Energy Holdings Limited” to “Zhonghua Gas Holdings Limited” and adopt “中華燃氣控股有限公司” as the new dual foreign name of the Company to replace “北方新能源控股有限公司”, to reflect our intention and determination of focusing on developing the New energy business and expanding the market footprint into the whole of the People’s Republic of China (the “PRC”), even extend to the Greater China Region. The Group intends to extend its business scopes to develop the supply of liquefied natural gas (the “LNG”) and ultimately develop into a leading diversified and integrated new energy service provider in the Greater China Region.

The Group at present principally offered technological development, construction and consultancy services in relation to heat supply and coal-to-natural gas conversion solutions are provided by the Group in Tianjin, as well as the trade of new energy related industrial products. It also engaged in operation of the LNG stations in Tianjin.

For the Current Period, the Group continued to enhance its market share and industry presence by providing diversified and integrated new energy services to customers in primarily in Tianjin, the PRC. It completed contracts for construction of outdoor pipeline network and engineering projects including upgrade for de-sulfurization of boiler tower.

During the Current Period, the Group continued to strengthen the business integration of its New energy business followed the acquisition of 81.8% stake of Tianjin Jin Re Natural Gas Sales Company Limited (“TJR”) in February 2018 which successfully enabled the Group to diversify the business scopes to cover sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; and development of new energy technology. In August 2018, the Group obtained a dangerous chemicals business operation license to make to ready to launch the supply of LNG business. At present, the Group is applying for Gas Business Operation License and prior to obtaining the license, the Group is entitled to rental income and management fee from leasing of the LNG storage tanks and gasification devices from the co-operation partners during the statutory heat supply period in the PRC. The move signified a step closer to the Group’s business goal of becoming a diversified and integrated new energy service provider in the Greater China Region.

In April 2018, the Group entered into a memorandum of understanding with Tractebel Engineering S.A. (“Tractebel”) and Tianjin Jinre Heat-Supply Group Co. Ltd (“Jinre Group”) for the possible cooperation in the areas of technological and infrastructure related business of the New energy industry. The cooperation was expected to submit a feasible proposal to relevant government agencies in Tianjin on or before 30 September 2018. However, the Group signed a supplementary agreement to extend the date to 30 March 2019. It is always the Group’s intention to empower itself to expand its business scopes, lift its industry standard as well as improve its service quality through fostering cooperation with both international and domestic resourceful industry players. Therefore, it will continue to seek cooperation with Tractebel and also will reach out to partner with high caliber industry peers to cooperate in different area of business.

The approval for a 5-year tax concession application with relevant government departments as incentives granted for technology innovation and talents retention has been obtained. It is expected to positively contribute to the Group’s financial performance.

## Catering Business

During the Current Period, the Group continued to improve the overall operational efficiency for its Catering business by optimizing resources and strengthening business integration. As at 30 September 2018, the Group owned four “Noble House” restaurants in Shanghai, the PRC, of which one of them was outsourced to and operated by an independent contractor. There is also a non-staple food trading business under the “Noble House” brand, which the products supplied are sold at the Group’s restaurants and other retail stores.

## Property Investment

The Group owns two office premises on Beijing Road West, Jing An District, in the heart of Shanghai. During the third quarter of 2018, the two premises have been successfully leased out under medium term lease, generating stable rental income for the Group.

# FINANCIAL REVIEW

## Revenue

For the Current Period, revenue of the Group amounted to RMB198.5 million, representing a leap of 75.8% from RMB112.9 million for the Corresponding Period last year. The increase was mainly attributable to the increase in revenue of RMB87.0 million from New energy business.

### *New Energy Business*

The RMB166.8 million in revenue from the New energy business segment accounted for 84.1% of the Group’s total revenue (Corresponding Period: 70.7%). It was mainly attributable to the income from construction of outdoor pipeline network and engineering projects including upgrade for de-sulfurization of boiler tower, technical services in relation to coal-to-natural gas conversion heating consultancy solution, rental and management fees from LNG storage tanks, as well as trading of industrial products in Tianjin.

### *Catering Business*

The Group recorded revenue of RMB31.5 million from the operation of Catering business as compared to RMB32.8 million in the Corresponding Period last year. The revenue from Catering business included RMB31.2 million from restaurant operations (Corresponding Period: RMB32.4 million) and RMB0.3 million from trading of non-staple food (Corresponding Period: RMB0.4 million). The decrease in revenue was mainly due to the reduced revenue from the operating restaurants.

### *Property Investment*

The Property investment segment recorded revenue of RMB0.1 million (Corresponding Period: RMB0.3 million). The premises were vacant during the second quarter of 2018 and therefore recorded a slight in income for the Current Period.

## Cost of Sales

The cost of sales of New energy business increased to RMB64.1 million as compared to RMB37.1 million in the Corresponding Period. The increase was mainly attributable to the growth in number and contract value of the projects completed during the Current Period as compared to the Corresponding Period. The cost of sales of Catering business was slightly increased by 0.7% from RMB27.1 million in the Corresponding Period to RMB27.3 million, mainly as a result of the higher staff cost and rental expenses of restaurants and absence of the item of reversal of impairment loss on inventories in the Current Period.

## Gross Profit Margin

Gross profit margin of the New energy business segment slightly increased from 53.5% to 61.6% for the Current Period, mainly due to in the Current Period the projects completed in the provision of technological development and consultancy services commanded higher gross profit margin compared with the constructions projects, of which boosted the overall gross profit margin of the New energy business segment. The gross profit margin of the Catering business slightly decreased from 17.4% in the Corresponding Period to 13.4% in the Current Period, mainly due to the effect of higher staff cost and rental expenses of restaurants and gross profit margin of the Property investment segment was 100% (Corresponding Period: 100%).

## Other Gains and Losses

Other gains of RMB0.5 million were recorded in the Current Period as compared to other losses of RMB1.8 million in the Corresponding Period, mainly due to the decrease of the net foreign exchange loss in the Current Period.

## Administrative Expenses

Administrative expenses increased by 23.7% from RMB29.9 million for the Corresponding Period to RMB36.9 million for the Current Period. It was mainly due to the increase of RMB5.4 million share-based payments expenses amortized in the Current Period as compared to the Corresponding Period and also RMB0.5 million increase in staff cost for enhancing team strengths.

## Income Tax Expense

Income tax expense was RMB26.3 million (Corresponding Period: RMB9.5 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin.

## Non-controlling Interests

Non-controlling interests recorded a gain of RMB6.9 million in the Current Period (Corresponding Period: RMB2.9 million). This was mainly attributable to the operating profit recorded by the non-wholly owned subsidiaries in Tianjin.

## Profit and Total Comprehensive Income attributable to the Owners of the Company

The net profit and total comprehensive income attributable to the owners of the Company recorded a sharp increase by 1,348.3% from RMB2.4 million for the Corresponding Period to RMB34.4 million for the Current Period. The increase was mainly caused by an increase in strong results contribution from its New energy business during the Current Period. The basic and diluted earnings per share for the Current Period was RMB0.98 cents and RMB0.97 cents respectively, as compared to both RMB0.07 cents in the Corresponding Period.

## Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 10 of the unaudited condensed consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms.

## PROSPECTS

Throughout three years, the Group successfully rolls out its development and expansion of the New energy business through organic growth and acquisition, and build a strong foothold in Tianjin, the PRC before extending its market foot print into the whole of the PRC, even extending to the Greater China Region.

Since the rolling out of the "Clean Winter Heating Plan for Northern China (2017-2021)" (北方地區冬季清潔取暖規劃(2017-2021)) in late 2017, the New energy business, especially replacing coal to natural gas as fuel has been in a phase of quick growth. In addition, the "2+26" key city development objective has been in effect, where Beijing-Tianjin-Hebei and surrounding areas are experiencing gradual transition by replacing coal with natural gas and electricity in winter. The Group sees this state policy as a great development potential and therefore, will continue to focus on our expansion in the new energy business segment in the PRC to seize more growth opportunities.

The Group eyes on executing its plans to extend its business scopes to develop the supply of LNG via working with LNG suppliers (including overseas suppliers) and has set up a subsidiary to kick off the business. In the meantime, it formulates execution plans to map out ways to speed up the development of the supply of LNG business. The plans include engaging suitable LNG suppliers, means to transporting the LNG to storage facilities and delivering the LNG products. Therefore, the management is busy in strengthening team capability and engaging suitable and possible cooperation to achieve a more diversified business scope and services.

Regarding the Catering business, we will continue to strive to optimize operational efficiency with the implementation of different effective strategies through continuous business integration, in a hope of developing the business steadily. As for property investment, the Group will keep a close eye on any possible premium projects in order to secure long term stable rental income to bring additional income to the Group.

## **CAPITAL STRUCTURE**

As at 30 September 2018, the Company had an aggregate of 3,499,520,000 shares of HK\$0.00125 each in issue.

## **USE OF PROCEEDS FROM THE PLACING OF SHARES**

The Company had successfully placed 56,000,000 new shares (i.e. 448,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016) to four subscribers (the "First Placing") at a subscription price of HK\$0.65 per new shares on 28 November 2014 and 80,000,000 new shares (i.e. 640,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016) to one subscriber at the subscription price of HK\$0.95 per subscription share (the "Second Placing") on 30 June 2015. The aggregate gross proceeds and net proceeds from the two placings are HK\$112,400,000 (equivalent to RMB88,835,000) and HK\$112,149,000 (equivalent to RMB88,638,000). The Company intended to use the net proceeds from the two placings as follows:

- (i) HKD25,500,000 (equivalent to approximately RMB20,127,000) for any potential investment opportunities as identified by the Group; and
- (ii) HKD86,649,000 (equivalent to approximately RMB68,511,000) as general working capital of the Group.

As at 30 September 2018, the Company has utilized all of the proceeds HK\$86,649,000 (equivalent to RMB68,511,000) for general working capital in the operation of the Group.

In addition, as at 30 September 2018, the Group has utilized approximately HK\$19,675,000 (equivalent to RMB16,200,000) out of the proceeds for potential investment for the establishment of a subsidiary in Tianjin in the second half of 2015.

The remaining net proceeds have not yet been utilized and remain available for the intended use.

## **DIVIDENDS**

The Board did not recommend the payment of interim dividend for the Current Period (Corresponding Period: Nil).

## FOREIGN CURRENCY EXPOSURE

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

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

Save as disclosed in note 9 to the condensed consolidated financial statements, there was no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Period. There is no plan for material investments or capital assets as the date of this report.

## SHARE OPTION SCHEME

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



During the year 2014, the Company has granted 28,000,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.81 per option share (i.e. 224,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016). During the year 2017, the Company has granted 343,536,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.289 per option share. As at 30 September 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 395,032,000 (30 September 2017: 396,016,000), representing 11.3% (30 September 2017: 11.3%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/lapsed during the review period and outstanding as at 30 September 2018 are as follows:

	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 September 2018	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
<b>Directors</b>								
Mr. Hu Yishi	2,880,000	-	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	-	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	-	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	-	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lui Tin Nang	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	1,144,000	-	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	1,144,000	-	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lau Kwok Kee	1,144,000	-	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	-	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
<b>Total Directors</b>	<b>145,544,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,544,000</b>			
<b>Employees</b>								
	3,200,000	-	-	-	3,200,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	54,208,000	-	-	(328,000)	53,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	54,208,000	-	-	(328,000)	53,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	54,208,000	-	-	(328,000)	53,880,000	9 June 2020 to 9 June 2024	0.289	0.28
<b>Total Employees</b>	<b>165,824,000</b>	<b>-</b>	<b>-</b>	<b>(884,000)</b>	<b>164,840,000</b>			

	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 September 2018	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
<b>Consultants</b>	28,216,000	-	-	-	28,216,000	9 June 2018 to 9 June 2024	0.289	0.28
	28,216,000	-	-	-	28,216,000	9 June 2019 to 9 June 2024	0.289	0.28
	28,216,000	-	-	-	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
<b>Total Consultants</b>	<b>84,648,000</b>	-	-	-	<b>84,648,000</b>			
<b>Total All Categories</b>	<b>396,016,000</b>	-	-	<b>(984,000)</b>	<b>395,032,000</b>			
<b>Exercisable at the end of the period</b>					<b>166,664,000</b>			

\* adjusted by share subdivision on 20 May 2016.

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

At 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares, underlying shares and debentures of the Company 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of Director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Hu Yishi	1	Interest of controlled corporation	461,000,000	13.17%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.98%

Notes:

- Mr. Hu Yishi is deemed to be interested in 448,000,000 shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Century Investment Holdings Limited ("Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu Yishi. Mr. Hu Yishi is also deemed to be interested in 13,000,000 Shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.
- Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 18,688,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin. Ms. Lin also interested in 22,400,000 shares which beneficial owned by herself.

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

Name of Director	Nature of Interest	Number of underlying shares (note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	56,744,000
Mr. Lui Tin Nang	Beneficial owner	5,672,000
Ms. Ma Lee	Beneficial owner	5,672,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 49,280,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.10125 per option share and 96,264,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK\$0.289 per option share. The details of outstanding share options are shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## DEED OF NON-COMPETITION

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

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

As at 30 September 2018, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### Long position – Ordinary shares and underlying shares

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited <sup>(Note 1)</sup>	Beneficial owner	640,000,000	–	18.29%
Mr. Song Zhi Cheng <sup>(Note 2)</sup>	Interest of controlled corporation	640,000,000	–	18.29%
Smart Lane Global Limited <sup>(Note 3)</sup>	Beneficial owner	448,000,000	–	12.80%
Uprise Global Investments Limited <sup>(Note 4)</sup>	Beneficial owner	448,000,000	–	12.80%
Blossom Merit Limited <sup>(Note 5)</sup>	Beneficial owner	221,632,000	–	6.33%
Mr. Chan Tai Neng <sup>(Note 6)</sup>	Interest of controlled corporation	221,632,000	–	6.33%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.
2. Mr. Song Zhi Cheng is deemed to be interested in 640,000,000 shares through his interest in Depot Up Limited.
3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu Yishi is executive Director and executive chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin, an executive Director.
5. Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively as at the 30 September 2018.
6. Mr. Chan Tai Neng is deemed to be interested in 221,632,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung (both being former executive Directors).

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

Save as disclosed above, as at 30 September 2018, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

## **RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **COMMUNICATION WITH SHAREHOLDERS**

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

## CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules (the “CG Code”) throughout the Current Period. Except for the deviations from code provision A.6.7 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the Executive Chairman and one of the executive Directors were unable to attend the Company’s annual general meeting held on 1 June 2018.

Besides, the Executive Chairman, two executive Directors and two independent non-executive Directors were unable to attend the Company’s extraordinary general meeting held on 17 August 2018.

Save as disclosed above, the Directors are of the opinions that the Company and the Broad had complied with the Corporate Governance Code throughout the Current Period.

## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 30 September 2018, the Audit Committee has three members comprising all the independent non-executive Directors, namely Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee.

The Audit Committee had reviewed the unaudited third quarterly financial statements for the Current Period and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board  
**Chan Wing Yuen, Hubert**  
*Chief Executive Officer and Executive Director*

Hong Kong, 12 November 2018

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

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