



Zhonghua Gas Holdings Limited

中華燃氣控股有限公司

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

2019 First Quarterly Report
二零一九年第一季度報告



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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 KY1-1111,
Cayman Islands

Hong Kong Share Registrar

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

Legal Advisers to the Company

Angela Ho & Associates
Conyers Dill & Pearman

Auditor

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 three months ended 31 March 2019 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2018 (the “Previous Period”) as follows:

Financial Highlights

	For the three months ended 31 March				Increase
	2019		2018		
	RMB'000	HKD'000 [#]	RMB'000	HKD'000*	
Revenue	115,619	134,789	58,182	72,611	98.7%
Gross profit ^(a)	33,613	39,186	26,659	33,270	26.1%
Profit and total comprehensive income for the period	14,819	17,276	5,050	6,302	193.4%
Profit and total comprehensive income attributable to owners of the Company	11,278	13,148	3,202	3,996	252.2%
Dividend	Nil	Nil	Nil	Nil	N/A
EBIT	22,552	26,291	11,078	13,825	103.6%
EBITDA	25,336	29,537	12,611	15,739	100.9%
Earnings per share					
Basic	RMB0.32 cents	HK0.37 cents	RMB0.09 cents	HK0.11 cents	255.6%
Diluted	RMB0.32 cents	HK0.37 cents	RMB0.09 cents	HK0.11 cents	255.6%

Key Financial Indicators

Gross profit margin ^(b)	29.1%	45.8%
Net profit margin ^(c)	12.8%	8.7%

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 for the period divided by revenue.
- * Converted to HK\$ at the exchange rate of RMB1=HK\$1.2480 on 31 March 2018 for reference.
- # Converted to HK\$ at the exchange rate of RMB1=HK\$1.1658 on 31 March 2019 for reference.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2019

	Notes	Three months ended	
		31.3.2019 RMB'000 (unaudited)	31.3.2018 RMB'000 (unaudited)
Revenue	3	115,619	58,182
Cost of sales		(82,006)	(31,523)
Gross profit		33,613	26,659
Other income	3	334	71
Other gains and losses		8	(1,105)
Administrative expenses		(10,365)	(13,231)
Selling and distributions		(1,038)	(1,201)
Loss on liquidation of a subsidiary	4	-	(115)
Profit before tax	5	22,552	11,078
Income tax expense	6	(7,733)	(6,028)
Profit and total comprehensive income for the period		14,819	5,050
Profit and total comprehensive income attributable to:			
Owners of the Company		11,278	3,202
Non-controlling interests		3,541	1,848
		14,819	5,050
Earnings per share	7		
Basic		RMB0.32 cents	RMB0.09 cents
Diluted		RMB0.32 cents	RMB0.09 cents

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2019

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserves	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	3,553	12,501	26,869	325,802	528	369,253	56,450	425,703
Profit and total comprehensive income for the period	-	-	-	11,278	-	11,278	3,541	14,819
Exercise of share options	17	4,968	(1,426)	-	-	3,559	-	3,559
Recognition of equity-settled share based payments (Note)	-	-	2,435	-	-	2,435	-	2,435
At 31 March 2019 (unaudited)	3,570	17,469	27,878	337,080	528	386,525	59,991	446,516
At 1 January 2018 (audited)	3,540	8,240	14,274	242,913	528	269,495	25,166	294,661
Profit and total comprehensive income for the period	-	-	-	3,202	-	3,202	1,848	5,050
Acquisition of assets and liabilities through acquisition of a non-wholly owned subsidiary	-	-	-	-	-	-	17,433	17,433
Recognition of equity-settled share based payments (Note)	-	-	5,146	-	-	5,146	-	5,146
At 31 March 2018 (unaudited)	3,540	8,240	19,420	246,115	528	277,843	44,447	322,290

Note: The amount represented the fair value amortization of the share options granted on 9 June 2017.

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

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 principal activities of the Group are 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"), operation of restaurants and trading of non-staple food ("Catering business") and property investment business (the "Property investment").

2. BASIS OF PREPARATION

The first quarterly 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 2018 except in relation to the new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board that are adopted for the first time for the Current Period's financial statements. The adoption of these new and revised IFRSs has had no material impact on the unaudited condensed consolidated financial statements.

The Group has not early adopted any new IFRSs that have been issued but are not yet effective.

The first 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	
	31.3.2019	31.3.2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
New energy business	102,676	46,334
Catering business	12,817	11,793
Property investment	126	55
	115,619	58,182
Other income		
Interest income	286	69
Others	48	2
	334	71

4. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the Previous Period, the Group liquidated Shanghai Yin Jia Food Products Co., Ltd. (the “Yin Jia”), a wholly owned subsidiary of the Company, which engaged in provide food production services to the Group’s restaurants and trading of seafood and supplemental food products. The liquidation was completed on 6 February 2018, on which date the Group lost control of Yin Jia.

The net assets of Yin Jia at the date of liquidation were as follows:

	RMB'000
Net Asset liquidated	158
Assets written off during liquidation:	
– amounts due from group companies	(43)
Loss on liquidation	115

5. PROFIT BEFORE TAX

	Three months ended	
	31.3.2019	31.3.2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived after charging the following:		
Directors' and chief executive's emoluments	2,507	3,199
Salaries and other allowances	5,454	4,780
Retirement benefit scheme contributions, excluding those of Directors	824	723
Equity-settled share-based expenses, excluding those of directors	1,709	3,639
Total staff costs	10,494	12,341
Depreciation of property, plant and equipment		
– included in cost of sales	2,670	1,415
– included in administrative expense	114	118
	2,784	1,533
Cost of inventories recognise as an expense (previous period include allowance recognise in respect of inventories of RMB25,000)	72,859	19,987

* For identification purpose only

6. INCOME TAX EXPENSE

	Three months ended	
	31.3.2019	31.3.2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Enterprise income tax in the PRC:		
Current period income tax	7,733	6,028

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill" which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax has been made as the Group's subsidiaries which operating in Hong Kong have incurred tax losses in both periods.

PRC

PRC subsidiaries located in, Shanghai and Tianjin are subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for both periods.

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.

7. EARNINGS PER SHARE

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

	Three months ended	
	31.3.2019	31.3.2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	11,278	3,202

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:

	31.3.2019	31.3.2018
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	3,510,968	3,499,520
Shares deemed to be issued in respect of:		
– Share options	44,281	33,227
Weighted average number of shares used in the calculation of diluted earnings per share	3,555,249	3,532,747

8. DIVIDEND

No dividend has been paid for the three months ended 31 March 2019 and 2018.

9. RESERVES

Movement in the reserves of the Group during the three months ended 31 March 2019 and 2018 are set out in the condensed consolidated statement of changes in equity on page 5.

Management Discussion and Analysis

BUSINESS REVIEW

For the first quarter of 2019, the Group started off the year with a satisfactory performance. For the Current Period, the Group recorded a 98.7% increase in revenue year-on-year, from RMB58.2 million to RMB115.6 million. It was mainly attributable to the significant increase in revenue from the New energy business generated from the trading of Liquefied Natural Gas (LNG). The contribution from the New energy segment has also increased further to take up a substantial 88.8% of total revenue (2018: 79.6% of total revenue), despite the drop in the gross profit ratio due to the lower gross profit margin in the LNG business than the construction works. Net profit after tax increased over 193.4% to RMB14.8 million, compared to that of 2018. Profit attributable to the owners of the Company also recorded over 252.2% increase to RMB11.3 million.

New Energy Business

The Group is principally focused on providing new energy related services and operating LNG stations in Tianjin, the PRC. It started the LNG trading in the fourth quarter of 2018, which offered an additional source of income for the Group. During the Current Period, the revenue from the New energy business was mainly derived from the trading of LNG.

During the Current Period, the Group received stable income from the operation management fees generated from LNG storage tanks, apart from the revenue from LNG trading. The Group has also completed a number of heat supply consultancy projects and coal-to-gas construction contracts.

In 2018, the Group acquired Tianjin Jin Re Natural Gas Sales Company Limited ("TJR") that operated LNG stations and held two LNG stations in Beichen District of Tianjin, with one of them being the largest LNG storage tank in Tianjin. TJR provided a steady contribution to the Group's revenue after it became the Group's subsidiary. It allowed the Group to provide services such as the 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. The memorandum of understanding signed with Tractebel Engineering S.A. ("Tractebel") and Tianjin Jinre Heat-Supply Group Co. Ltd ("Jinre Group") also facilitated in fostering a long term business relationship with "Tractebel" and "Jinre Group" which enables the Group to partner with strong industry elites for any possible cooperation in areas of technological and infrastructure-related business in the New energy industry.

Catering Business

As at 31 March 2019, the Group recorded a profit of RMB0.3 million in Catering business, compared to a loss of RMB0.4 million in the same period of last year. During the period, the Group closed down two "Noble House" restaurants, namely Noble House Xuhui Restaurant, Shanghai (上海徐匯店) and the Noble House Luwan Restaurant, Shanghai (上海盧灣店). The external operation contracting agreement for the Noble House Luwan Restaurant, Shanghai, was also terminated at the end of March 2019. The Group then only operated two restaurants as well as a non-staple food trading business.

At the end of April 2019, the Group entered into a Sale and Purchase Agreement to dispose of two wholly-owned subsidiaries that are involved in management service, restaurant operation and food trading, for a consideration of RMB2,000,000 (equivalent to approximately HK\$2,331,000) and the transaction has been completed on 30 April 2019. The net proceeds of disposal approximately RMB1,600,000, which is to be used as the working capital of the Group.

Property Investment

The Group owns two office premises on Beijing Road West, Jing An District in Shanghai, the PRC. During the first quarter of 2019, both premises continued to be on medium term lease, generating stable rental income for the Group.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB115.6 million, representing a sharp increase of 98.7% from RMB58.2 million for the Previous Period. The increase was mainly attributable to a RMB56.3 million increase in revenue of the New energy business during the Current Period.

New Energy Business

During the Current Period, the Group recognized a revenue of RMB102.7 million (Previous Period: RMB46.3 million) from the New energy business segment, accounting for 88.8% (Previous Period: 79.6%) of the Group's total revenue. The revenue mainly comprised the income from LNG trading, rental and operation management fees generated from LNG storage tanks, the completion of a number of heat supply consultancy projects and coal-to-gas construction contracts.

Catering Business

During the Current Period, the Group recorded a revenue of RMB12.8 million from operations of the Catering business segment, compared with RMB11.8 million in the Previous Period. The segmental revenue included RMB12.7 million from operating restaurants (Previous Period: RMB11.7 million), RMB0.1 million from sales of processed food and seafood products (Previous Period: RMB0.1 million). The increase in revenue was mainly due to the revenue improved from operating restaurants.

Property Investment

During the Current Period, the Property investment segment recorded turnover of RMB0.1 million (Previous Period: RMB0.05 million).

Cost of Sales

The cost of sales for the New energy business amounted to RMB72.0 million (Previous Period: RMB21.9 million), mainly representing the cost incurred from diversifying of the New energy business to the trading of LNG during the Current Period. The cost of sales for the Catering business in the Current Period was RMB10.0 million, slightly increased from RMB9.6 million for the Previous Period.

Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin of the New energy business segment decreased from 52.7% for the Previous Period to 29.8%, due to the lower gross profit margin of the LNG trading than the construction works.

The gross profit margin of the Catering business slightly increased from 18.4% in the Previous Period to 22.2% in the Current Period, mainly due to the effect of closed down loss making "Noble House" restaurant and gross profit margin of the Property investment segment was 100% (Previous Period: 100%).

Other Gains and Losses

Other gains of RMB0.01 million were recorded in the Current Period as compared to other loss of RMB1.1 million in the Previous Period, mainly due to a net foreign gain recorded in the Current Period as compared with the net foreign exchange loss in the Previous Period.

Administrative Expenses

Administrative expenses decreased by 21.7% from RMB13.2 million for the Previous Period to RMB10.4 million for the Current Period. The decrease was owing to a reduction in the amortized cost of share-based payment expenses in the Current Period in connection with the grant of share options in June 2017.

Income Tax Expense

Income tax expense increased by 28.3% from RMB6.0 million for the Previous Period to RMB7.7 million for the Current Period, mainly due to the increased in the provision for EIT of subsidiaries in Tianjin.

Non-controlling Interests

Non-controlling interests increased by 91.6% from RMB1.8 million for the Previous Period to RMB3.5 million for the Current Period. This was mainly attributable to the increase in the operating profit recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

Profit and Comprehensive Income Attributable to the Owners of the Company

The net profit and comprehensive income attributable to the owners of the Company for the Current Period was RMB11.3 million, up by 252.2% from RMB3.2 million in the Previous Period. The basic and diluted earnings per share for the Current Period were both RMB0.32 cents, as compared with RMB0.09 cents for the Previous Period.

PROSPECTS

Looking forward, given the substantial contribution of revenue from the New energy business in the first quarter of 2019, the Group will gradually seek to expand the proportion of LNG trading segment, the main revenue source for the New energy business during the Current Period. The Group will continue to work hard in investing in more resources into the New energy segment to seize further business expansion. In view of the high potentials in the LNG business, the Group will speed up in the pace of development in LNG supply via identifying suitable LNG suppliers (including overseas suppliers) and delivering the LNG products.

Furthermore, the Group has taken further steps in securing other new engineering projects to provide services related to the supply of liquefied and gasified natural gas and consultancy projects. The Group has been actively looking to pursue new partnerships and collaboration projects in areas of LNG trading, in particular with Tractebel, one of the world's largest engineering and consultancy companies.

Regarding the Catering business, the Board considers a structural transformation is necessary for turning around the Catering business which requires additional both capital and management resources. The Group believes it is not in the best interest of our shareholders, therefore we decided to dispose the Catering business and focus our resources in flourishing with high return New energy business.

Meanwhile, for property investment, the Group will stay active in identifying possible investment opportunities in order to bring in stable long-term returns to our shareholders.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 15,904,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.289 and HK\$0.10125 respectively. As at 31 March 2019, the Company had an aggregate of 3,526,872,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

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

The Board recommended the payment of final dividend of HK\$0.5 cents per ordinary share in respect of the year ended 31 December 2018. The final dividend is subject to approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on 28 June 2019.

FOREIGN CURRENCY EXPOSURE

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

EVENTS AFTER THE REPORTING PERIOD

At the end of April 2019, the Group entered into a Sale and Purchase Agreement to dispose of two wholly-owned subsidiaries which engaged in management service, restaurant operation and food trading, for a consideration of RMB2,000,000 (equivalent to approximately HK\$2,331,000). The disposal was completed on 30 April 2019. The management believe that the disposal is commercially favorable to and allow the Group to focus the resources on the flourishing New energy business of the Group. For further details, please refer to the announcement of the Company dated 30 April 2019.

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

Save for the disclosure in Events after the reporting period, there were 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. On 31 March 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 355,680,000 (31 March 2018: 395,032,000), representing 10.1% (31 March 2018: 11.3%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or forfeited/lapsed during the review period and outstanding as at 31 March 2019 are as follows:

	Number of share options					Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2019	Granted during the period	Exercised during the period	Forfeited/ Lapsed during the period	Outstanding as at 31 March 2019			
Directors								
Mr. Hu Yishi	2,880,000	-	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	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
Total Directors	145,544,000	-	(2,240,000)	-	143,304,000			
Employees								
	3,200,000	-	-	-	3,200,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	49,880,000	-	(12,000,000)	-	37,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	49,880,000	-	-	-	49,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	49,880,000	-	-	-	49,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	152,840,000	-	(12,000,000)	-	140,840,000			

	Number of share options					Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2019	Granted during the period	Exercised during the period	Forfeited/ Lapsed during the period	Outstanding as at 31 March 2019			
Consultants	16,768,000	-	(1,664,000)	-	15,104,000	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
Total Consultants	73,200,000	-	(1,664,000)	-	71,536,000			
Total All Categories	371,584,000	-	(15,904,000)	-	355,680,000			
Exercisable at the end of the period					135,312,000			

* 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 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (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 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	13.07%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.87%

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 is also interested in 22,400,000 shares which beneficially 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	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 47,040,000 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, at 31 March 2019, 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 Previous Period.

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

As at 31 March 2019, 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	Percentage of the Company's issued share capital
Depot Up Limited ^(Note 1)	Beneficial owner	640,000,000	18.15%
Mr. Song Zhi Cheng ^(Note 2)	Interest of controlled corporation	640,000,000	18.15%
Smart Lane Global Limited ^(Note 3)	Beneficial owner	448,000,000	12.70%
Uprise Global Investments Limited ^(Note 4)	Beneficial owner	448,000,000	12.70%
Blossom Merit Limited ^(Note 5)	Beneficial owner	221,632,000	6.28%
Mr. Chan Tai Neng ^(Note 6)	Interest of controlled corporation	221,632,000	6.28%

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, an executive Director and executive chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin Min, Mindy, 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 31 March 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 31 March 2019, 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 three months ended 31 March 2019 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the Current Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the best knowledge of the Board, the Company had complied with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules 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; oversee internal control procedures and risk management matters of the Company. As at 31 March 2019, 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 first 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
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 09 May 2019

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.