



# 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 Third Quarterly Report  
二零一九年第三季度報告



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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 KY1-1111,  
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

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  
Bank of China Limited

## Company Website

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

## GEM Stock Code

8246

# Financial Highlights

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 2019 (the “Current Period”), together with the unaudited comparative figures for the nine months ended 30 September 2018 (the “Corresponding Period”) as follows:

|   | Three months ended |                |               |                | (Decrease) | Nine months ended |                |               |                | Increase/<br>(decrease) |
|---|--------------------|----------------|---------------|----------------|------------|-------------------|----------------|---------------|----------------|-------------------------|
|   | 30.9.2019          |                | 30.9.2018     |                |            | 30.9.2019         |                | 30.9.2018     |                |                         |
|   | RMB'000            | HKD'000*       | RMB'000       | HKD'000*       |            | RMB'000           | HKD'000*       | RMB'000       | HKD'000*       |                         |
| <b>From continuing operations</b>   |                    |                |               |                |            |                   |                |               |                |                         |
| Revenue   | 15,692             | 17,396         | 69,107        | 78,533         | (77.3%)    | 226,797           | 251,427        | 164,090       | 168,472        | 38.2%                   |
| Gross profit <sup>(a)</sup>   | 12,656             | 14,030         | 39,124        | 44,461         | (67.7%)    | 79,995            | 88,682         | 100,032       | 113,676        | (20.0%)                 |
| Profit and total comprehensive income for the period                        | 2,358              | 2,614          | 20,311        | 23,081         | (88.4%)    | 41,082            | 45,544         | 44,255        | 50,291         | (7.2%)                  |
| Profit and total comprehensive income attributable to owners of the Company | 1,641              | 1,819          | 17,755        | 20,177         | (90.8%)    | 34,086            | 37,788         | 37,362        | 42,461         | (8.8%)                  |
| EBIT  | 6,110              | 6,774          | 29,970        | 34,058         | (79.6%)    | 61,607            | 68,298         | 70,535        | 80,156         | (12.7%)                 |
| EBITDA  | 9,429              | 10,453         | 32,657        | 37,111         | (71.1%)    | 71,536            | 79,305         | 77,719        | 88,320         | (8.0%)                  |
| Earnings per share  |                    |                |               |                |            |                   |                |               |                |                         |
| Basic   | RMB0.05 cents      | HK\$0.06 cents | RMB0.51 cents | HK\$0.58 cents | (90.2%)    | RMB0.97 cents     | HK\$1.08 cents | RMB1.07 cents | HK\$1.22 cents | (9.3%)                  |
| Diluted   | RMB0.05 cents      | HK\$0.06 cents | RMB0.50 cents | HK\$0.57 cents | (90.0%)    | RMB0.96 cents     | HK\$1.06 cents | RMB1.05 cents | HK\$1.19 cents | (8.6%)                  |
| <b>From continuing and discontinued operations</b>                          |                    |                |               |                |            |                   |                |               |                |                         |
| Revenue   | 15,692             | 17,396         | 79,100        | 89,889         | (80.2%)    | 241,714           | 267,964        | 198,458       | 225,528        | 21.8%                   |
| Gross profit <sup>(a)</sup>   | 12,656             | 14,030         | 40,162        | 45,640         | (68.5%)    | 82,702            | 91,683         | 107,101       | 121,710        | (22.8%)                 |
| Profit and total comprehensive income for the period                        | 2,358              | 2,614          | 19,033        | 21,629         | (87.6%)    | 41,183            | 45,655         | 41,265        | 46,916         | (0.2%)                  |
| Profit and total comprehensive income attributable to owners of the Company | 1,641              | 1,819          | 16,477        | 18,724         | (90.0%)    | 34,187            | 37,900         | 34,412        | 39,106         | (0.7%)                  |
| EBIT  | 6,110              | 6,774          | 28,699        | 32,614         | (78.7%)    | 61,716            | 66,418         | 67,578        | 76,796         | (8.7%)                  |
| EBITDA  | 9,429              | 10,453         | 31,403        | 35,686         | (70.0%)    | 75,127            | 83,286         | 74,949        | 85,172         | 0.2%                    |
| Earnings per share  |                    |                |               |                |            |                   |                |               |                |                         |
| Basic   | RMB0.05 cents      | HK\$0.06 cents | RMB0.47 cents | HK\$0.53 cents | (89.4%)    | RMB0.97 cents     | HK\$1.08 cents | RMB0.98 cents | HK\$1.11 cents | (1.0%)                  |
| Diluted   | RMB0.05 cents      | HK\$0.06 cents | RMB0.46 cents | HK\$0.52 cents | (89.1%)    | RMB0.96 cents     | HK\$1.06 cents | RMB0.97 cents | HK\$1.10 cents | (1.0%)                  |
| Dividend  | Nil                | Nil            | Nil           | Nil            | N/A        | Nil               | Nil            | Nil           | Nil            | N/A                     |
| <b>Key Financial Indicators</b>   |                    |                |               |                |            |                   |                |               |                |                         |
|   | Three months ended |                |               |                |            | Nine months ended |                |               |                |                         |
|   | 30.9.2019          |                | 30.9.2018     |                |            | 30.9.2019         |                | 30.9.2018     |                |                         |
| <b>From continuing operation</b>  |                    |                |               |                |            |                   |                |               |                |                         |
| Gross profit margin <sup>(a)</sup>  | 80.7%              |                | 56.6%         |                |            | 35.3%             |                | 61.0%         |                |                         |
| Net profit margin <sup>(a)</sup>  | 15.0%              |                | 29.4%         |                |            | 18.1%             |                | 27.0%         |                |                         |
| <b>From continuing and discontinued operation</b>                           |                    |                |               |                |            |                   |                |               |                |                         |
| Gross profit margin <sup>(a)</sup>  | 80.7%              |                | 50.8%         |                |            | 34.2%             |                | 54.0%         |                |                         |
| Net profit margin <sup>(a)</sup>  | 15.0%              |                | 24.1%         |                |            | 17.0%             |                | 20.8%         |                |                         |

## Note:

- The calculation of gross profit is based on revenue minus cost of sales.
- The calculation of gross profit margin is based on gross profit divided by revenue.
- The calculation of net profit margin is based on profit for the period divided by revenue.

\* Converted to HK\$ at exchange rate of RMB = HK\$1.1086 on 30 September 2019 for reference

\* Converted to HK\$ at exchange rate of RMB = HK\$1.1364 on 30 September 2018 for reference



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

For the three months and nine months ended 30 September 2019

|  | Notes | Three months ended                  |   | Nine months ended                   |   |
|--|-------|-------------------------------------|---|-------------------------------------|---|
|  |       | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) |
| <b>Continuing operations</b>   |       |                                     |   |                                     |   |
| Revenue  | 3     | 15,692                              | 69,107  | 226,797                             | 164,090   |
| Cost of sales  |       | (3,036)                             | (29,983)  | (146,802)                           | (64,058)  |
| Gross profit   |       | 12,656                              | 39,124  | 79,995                              | 100,032   |
| Other income   | 3     | 3,186                               | 239   | 9,447                               | 3,293   |
| Other gains and losses   |       | (127)                               | 435   | 305                                 | 122   |
| Administrative expenses  |       | (9,548)                             | (9,828)   | (27,980)                            | (32,912)  |
| Interest on lease liabilities  |       | (57)                                | -   | (160)                               | -   |
| Profit before tax  | 5     | 6,110                               | 29,970  | 61,607                              | 70,535  |
| Income tax expense   | 6     | (3,752)                             | (9,659)   | (20,525)                            | (26,280)  |
| Profit and total comprehensive income for the period from continuing operations                    |       | 2,358                               | 20,311  | 41,082                              | 44,255  |
| <b>Discontinued operation</b>  |       |                                     |   |                                     |   |
| Profit (loss) for the period from discontinued operation   | 4B    | -                                   | (1,278)   | 101                                 | (2,970)   |
| Profit and total comprehensive income for the period   |       | 2,358                               | 19,033  | 41,183                              | 41,285  |
| Profit (loss) and total comprehensive income (expenses) attributable to the owners of the Company: |       |                                     |   |                                     |   |
| - from continuing operations   |       | 1,641                               | 17,755  | 34,086                              | 37,382  |
| - from discontinued operation  |       | -                                   | (1,278)   | 101                                 | (2,970)   |
| Profit and total comprehensive income attributable to the owners of the Company                    |       | 1,641                               | 16,477  | 34,187                              | 34,412  |
| Profit and total comprehensive income attributable to non-controlling interest:                    |       |                                     |   |                                     |   |
| - from continuing operations   |       | 717                                 | 2,556   | 6,996                               | 6,873   |
|  |       | 2,358                               | 19,033  | 41,183                              | 41,285  |
| <b>Earnings per share</b>  |       |                                     |   |                                     |   |
| From continuing and discontinued operations  | 7     |                                     |   |                                     |   |
| - Basic (RMB cents)  |       | 0.05                                | 0.47  | 0.97                                | 0.98  |
| - Diluted (RMB cents)  |       | 0.05                                | 0.46  | 0.96                                | 0.97  |
| From continuing operations   |       |                                     |   |                                     |   |
| - Basic (RMB cents)  |       | 0.05                                | 0.51  | 0.97                                | 1.07  |
| - Diluted (RMB cents)  |       | 0.05                                | 0.50  | 0.96                                | 1.05  |

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2019

|  | Attributable to owners of the Company |               |                      |                  |                 | Total    | Non-controlling interests | Total    |
|--|---------------------------------------|---------------|----------------------|------------------|-----------------|----------|---------------------------|----------|
|  | Share capital                         | Share premium | Share option reserve | Retained profits | Special reserve |          |                           |          |
| <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 and liabilities through acquisition of a non-wholly owned subsidiary (Note 10) | -                                     | -             | -                    | -                | -               | -        | 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  |
| <b>At 1 January 2019 (audited)</b>   | 3,553                                 | 12,501        | 26,869               | 325,802          | 528             | 369,253  | 56,450                    | 425,703  |
| Profit and total comprehensive income recognized for the period                                      | -                                     | -             | -                    | 34,187           | -               | 34,187   | 6,996                     | 41,183   |
| Capital reduction  | -                                     | -             | -                    | -                | -               | -        | (1,700)                   | (1,700)  |
| Exercise of share options  | 33                                    | 10,109        | (2,918)              | -                | -               | 7,224    | -                         | 7,224    |
| Forfeiture of share options  | -                                     | -             | (182)                | -                | -               | (182)    | -                         | (182)    |
| Recognition of equity-settled share based payments   | -                                     | -             | 5,627                | -                | -               | 5,627    | -                         | 5,627    |
| Dividends paid   | -                                     | -             | -                    | (15,519)         | -               | (15,519) | -                         | (15,519) |
| <b>At 30 September 2019 (unaudited)</b>  | 3,586                                 | 22,610        | 29,396               | 344,470          | 528             | 400,590  | 61,746                    | 462,336  |

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2019

## 1. GENERAL INFORMATION

Zhonghua Gas Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). 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 principal 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 subsidiaries of the Company are engaged in:

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

During the period ended 30 September 2019, the Group disposed all of its entities, which engaged in restaurants operation (“Catering Business”) to an independent third party, details are set out in note 4. The financial results contributed by Catering Business are presented as results from discontinued operation and certain comparative amounts have been restated to confirm with Current Period’s presentation.

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

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                   |   |
|--|-------------------------------------|---|-------------------------------------|---|
|  | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) |
| <b>Continuing operations</b>   |                                     |   |                                     |   |
| Revenue  |                                     |   |                                     |   |
| New Energy Business  | 15,566                              | 69,046  | 226,419                             | 163,974   |
| Property investment  | 126                                 | 61  | 378                                 | 116   |
|  | <b>15,692</b>                       | 69,107  | <b>226,797</b>                      | 164,090   |
| <b>Continuing operations</b>   |                                     |   |                                     |   |
| Interest income  | 40                                  | 87  | 194                                 | 155   |
| Interest income from loan<br>receivable from<br>an independent third party | -                                   | 152   | 241                                 | 220   |
| Rental and operation<br>management income                                  | -                                   | -   | 5,395                               | 2,861   |
| Accounts payable written off   | 3,154                               | -   | 3,154                               | -   |
| Others   | (8)                                 | -   | 463                                 | 57  |
|  | <b>3,186</b>                        | 239   | <b>9,447</b>                        | 3,293   |

### 4A. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the nine months ended 30 September 2018, the Group liquidated Shanghai Yin Jia Food Products Company Limited (上海銀佳食品有限公司), a wholly owned subsidiary of the Company, which engaged in food production services to the Group's restaurants and trading of seafood and supplemental food products. The liquidation was completed on 6 February 2018, and resulted in a loss on liquidation of RMB115,000 for the period ended 30 September 2018.

The net assets of the liquidated subsidiary at the date of liquidation were as follows:

|   | RMB'000<br>(unaudited) |
|---|------------------------|
| Analysis of assets liquidated:                |                        |
| Inventories                                   | 12                     |
| Trade and other receivables                   | 103                    |
| Loss on liquidation of a subsidiary (Note 4B) | 115                    |

\* For identification purpose only



## 4B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES

During the nine months ended 30 September 2019, the Group disposed of Wealth Grade Limited and 上海富愷商務諮詢有限公司 (“Shanghai Fu Kai Commercial Consultation Company Limited”), wholly owned subsidiaries of the Company, and its subsidiaries, which were engaged in the restaurants operation in the PRC and presented under “Catering Business” of the Group, to an independent third party at a cash consideration of RMB2,000,000. The disposal was completed on 30 April 2019 and resulted in a gain on disposal of subsidiaries amounted to RMB1,786,000.

The loss for the periods from the discontinued operation in respect of Catering Business is analyzed as follow:

|   | Note | Period from<br>1.1.2019<br>to 30.4.2019<br>(date of<br>disposal)<br>RMB'000<br>(audited) | Nine months<br>ended at<br>30.9.2018<br>RMB'000<br>(unaudited) |
|---|------|--|--|
| Loss of Catering Business   |      | <b>(1,685)</b>   | (2,970)  |
| Gain on disposal of Catering Business   |      | <b>1,786</b>   | -  |
| Profit (loss) for the periods from discontinued operation and attributed to owners of the Company |      | <b>101</b>   | (2,970)  |
| Revenue   |      | <b>14,917</b>  | 31,506   |
| Cost of sales   |      | <b>(12,209)</b>  | (27,300)   |
| Gross profit  |      | <b>2,708</b>   | 4,206  |
| Other income  |      | <b>3</b>   | 48   |
| Other gains and losses  |      | <b>(256)</b>   | 430  |
| Administrative expenses   |      | <b>(2,076)</b>   | (4,032)  |
| Selling and distributions   |      | <b>(1,252)</b>   | (3,494)  |
| Impairment loss recognised in respect of property, plant and equipment                            |      | <b>(303)</b>   | -  |
| Interest on lease liabilities   |      | <b>(504)</b>   | -  |
| Loss on liquidation of a subsidiary   | 4A   | -  | (115)  |
| Loss before tax   |      | <b>(1,680)</b>   | (2,957)  |
| Income tax expense  |      | <b>(5)</b>   | (13)   |
| Loss for the period from discontinued operation and attributed to owners of the Company           |      | <b>(1,685)</b>   | (2,970)  |
| Loss per share (Note)   |      |  |  |
| Basic (RMB cents)   |      | <b>(0.05)</b>  | (0.08)   |
| Diluted (RMB cents)   |      | <b>(0.05)</b>  | (0.08)   |

Note: The denominators used are the same as these detailed in note 7 for both basic and diluted earnings per share.

\* For identification purpose only.

## 4B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

Cash flows for the period from the discontinued operation are as follows:

|  |                      |
|--|----------------------|
|  | RMB'000<br>(audited) |
| <hr/>  |                      |
| For the period from 1 January 2019 to 30 April 2019 (date of disposal) |                      |
| Net cash inflow from operating activities                              | 474                  |
| Net cash inflow from investing activities                              | 136                  |
| Net cash outflow used in financing activities                          | (2,582)              |

|                  |         |
|------------------|---------|
| Net cash outflow | (1,972) |
|------------------|---------|

RMB'000  
(unaudited)

|   |         |
|---|---------|
| <hr/>   |         |
| For the period from 1 January 2018 to 30 September 2018 |         |
| Net cash outflow used in operating activities           | (4,628) |
| Net cash inflow from investing activities               | 106     |
| Net cash outflow used in financing activities           | (204)   |

|                  |         |
|------------------|---------|
| Net cash outflow | (4,726) |
|------------------|---------|

Loss for the period from discontinued operation in respect of Catering Business been arrived at after charging (crediting):

|   | <b>Period from<br/>1.1.2019<br/>to 30.4.2019<br/>(date of<br/>disposal)<br/>RMB'000<br/>(audited)</b> | Nine months<br>ended at<br>30.9.2018<br>RMB'000<br>(unaudited) |
|---|---|--|
| Salaries and other allowances                 | 4,714   | 9,808  |
| Retirement benefit scheme contributions       | 815   | 1,923  |
| <b>Total staff costs</b>                      | <b>5,529</b>  | <b>11,731</b>  |
| Less: included in cost of sales               | <b>(3,880)</b>  | <b>(8,978)</b>   |
|   | <b>1,649</b>  | <b>2,753</b>   |
| Auditors' remuneration                        | 7   | -  |
| Depreciation of property, plant and equipment | 123   | 188  |
| Less: included in cost of sales               | (116)   | (51)   |
|   | 7   | 137  |
| Depreciation of right-of-use assets           | 3,357   | -  |
| Cost of inventories recognised as an expense  | 4,856   | 9,924  |

## 4B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

The carrying amounts of the assets and liabilities over which control was lost is disclosed as below:

|  | RMB'000<br>(audited) |
|--|----------------------|
| Property, plant and equipment              | 1,725                |
| Right-of-use assets                        | 28,323               |
| Inventories                                | 2,639                |
| Trade and other receivables                | 13,917               |
| Bank balances and cash                     | 3,022                |
| Trade and other payables                   | (6,659)              |
| Contract liabilities                       | (9,383)              |
| Lease liabilities                          | (27,032)             |
| Amount due to a shareholder                | (3,738)              |
| Tax payable                                | (2,600)              |
| <b>Net assets disposed</b>                 | <b>214</b>           |
|  | RMB'000<br>(audited) |
| Gain on disposal of the Catering Business: |                      |
| Consideration received                     | 2,000                |
| Net assets disposed of                     | (214)                |
| <b>Gain on disposal</b>                    | <b>1,786</b>         |
| Net cash outflow arising on disposal:      |                      |
| Cash consideration                         | 2,000                |
| Bank balances and cash disposed of         | (3,022)              |
|  | (1,022)              |

## 5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

|   | Three months ended                  |   | Nine months ended                   |   |
|---|-------------------------------------|---|-------------------------------------|---|
|   | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) |
| Profit before tax has been arrived after charging the following:      |                                     |   |                                     |   |
| Directors' emoluments   | 2,146                               | 2,527   | 7,116                               | 8,718   |
| Salaries and other allowances   | 1,855                               | 1,244   | 5,500                               | 3,926   |
| Retirement benefit scheme contributions, excluding those of Directors | 219                                 | 179   | 631                                 | 541   |
| Equity-settled share-based payments, excluding those of Directors     | 544                                 | 1,831   | 3,765                               | 8,672   |
| <b>Total staff cost</b>   | <b>4,764</b>                        | <b>5,781</b>  | <b>17,012</b>                       | <b>21,857</b>                                       |
| Depreciation of property, plant and equipment                         | 2,675                               | 2,686   | 8,041                               | 7,183   |
| Less: included in cost of sale  | (2,583)                             | (2,583)   | (7,750)                             | (6,887)   |
|   | 92                                  | 103   | 291                                 | 296   |
| Depreciation of right-of-use assets                                   | 644                                 | –   | 1,889                               | –   |
| Cost of inventories recognised as an expense                          | –                                   | 23,737  | 125,463                             | 43,415  |

## 6. INCOME TAX EXPENSE

|                                   | Three months ended                  |   | Nine months ended                   |   |
|-----------------------------------|-------------------------------------|---|-------------------------------------|---|
|                                   | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited<br>and restated) |
| <b>Continuing operations</b>      |                                     |   |                                     |   |
| Enterprise income tax in the PRC: |                                     |   |                                     |   |
| Current tax                       | 3,752                               | 9,659   | 20,525                              | 25,946  |
| Under provision in prior period   | –                                   | –   | –                                   | 334   |
|                                   | <b>3,752</b>                        | <b>9,659</b>  | <b>20,525</b>                       | <b>26,280</b>                                       |

### Hong Kong

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 2019 and 2018.

### 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 2019 and 2018.

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.

## 7. EARNINGS PER SHARE

### From continuing operations

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                  |                                     | Nine months ended                   |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited) | 30.9.2019<br>RMB'000<br>(unaudited) | 30.9.2018<br>RMB'000<br>(unaudited) |
| Profit for the period attributable to owners of the Company                  | 1,641                               | 16,477                              | 34,187                              | 34,412                              |
| Less: Profit (loss) for the period from discontinued operation               | –                                   | (1,278)                             | 101                                 | (2,970)                             |
| Profit for the purpose of basic earning per share from continuing operations | 1,641                               | 17,755                              | 34,086                              | 37,382                              |

The weighted 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 |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | 30.9.2019<br>'000  | 30.9.2018<br>'000 | 30.9.2019<br>'000 | 30.9.2018<br>'000 |
| Weighted average number of shares used in the calculation of basic earnings per share   | 3,525,291          | 3,499,520         | 3,525,291         | 3,499,520         |
| Shares deemed to be issued in respect of:   |                    |                   |                   |                   |
| – Share options   | 13,539             | 84,466            | 42,693            | 64,375            |
| Weighted average number of shares used in the calculation of diluted earnings per share | 3,538,830          | 3,583,986         | 3,567,984         | 3,563,895         |

## 8. DIVIDEND

During the nine months ended 30 September 2019, a final dividend in respect of the year ended 31 December 2018 of HK\$0.5 cents per ordinary share, in as aggregate amount of HK\$17,653,000 (equivalent to RMB15,519,000) was paid. The directors of the Company have determined that no dividend will be paid or proposed in respect of nine months ended 30 September 2019 and 30 September 2018.

## 9. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2019 and 2018 are set out in the condensed consolidated statement of the changes in equity on page 5.



## 10. ACQUISITION OF ASSETS AND LIABILITIES THROUGH 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.

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

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

## 11. RELATED PARTY TRANSACTIONS

During the Current Period, the Group has no transaction with any related party.

\* For identification purposes only

# Management Discussion and Analysis

## Business Review

For the Current Period, the overall performance of the Group was satisfactory. The New Energy Business continued to deliver stable results and remained the growth impetus of total revenue after the Group completed the disposal of the whole Catering Business enabling the Group to focus its resources on the New Energy Business.

Total revenue from continuing operations recorded a stable year-on-year increase of over 38.2% from RMB164.1 million to RMB226.8 million in the Current Period, substantially contributed by the New Energy Business from the supply of liquefied natural gas (LNG). Contribution from the New Energy Business has taken up over 99.8% of total revenue for the both period in 2018 and 2019, reflecting its important role in the operation. Gross profit ratio dropped as the gross profit of LNG supply was slimmer than that of the construction related and consultancy services. Net profit after tax remained stable at amounted around RMB41.2 million for both period in 2018 and 2019. Profit attributable to the owners of the Company slightly dropped by 0.7% to RMB34.2 million as compared to the Corresponding Period.

## New Energy Business

During the Current Period, the Group was primarily engaged in providing integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, LNG supply, as well as trading of new energy related industrial products. The Group accelerated the pace of New Energy Business expansion and the segment revenue has continued to be the main growth driver to the total revenue in the Current Period.

Revenues were primarily generated from LNG supply and consultancy services in new energy related construction works. We also received rental and operation management fees generated from LNG storage tanks. LNG supply and consultancy services accounted for approximately 67.6% and 32.2% of the Group's total revenue respectively. During the Current period, the Group completed a number of heat supply consultancy projects and coal-to-gas construction contracts through the provision of construction related and consultancy services.

On the other hand, the Group dedicated to strengthen the sales team's capability by establishing new platforms in order to achieve higher revenue and set a foothold in the new markets. The cooperation with Tractebel Engineering S.A. ("Tractebel"), one of the world's largest engineering and consultancy companies, and Tianjin Jinre Heat Supply Group Co. Ltd. ("Jinre Group") also offered the Group to look into further collaboration opportunities with industry leaders in the technological and infrastructure-related fields.

## Property Investments

The Group owns two office premises on Beijing Road West, Jing An District in Shanghai. Both premises have been on medium term leases during the Current Period and continued to generate stable rental income for the Group.

## Others

The Group has wholly disposed of the Catering Business operations. All the wholly-owned subsidiaries engaged in management service, restaurant operation and food trading were put to an end during the previous quarter. The financial results of the Catering Business were included in discontinued operation in the Current Period. For further details, please refer to the note 4 and the announcement of the Company dated 30 April 2019.

## FINANCIAL REVIEW

### Continuing Operations

#### Revenue

For the Current Period, revenue from continuing operations of the Group amounted to RMB226.8 million, representing a significant increase of 38.2% from RMB164.1 million for the Corresponding Period. The increase was mainly attributable to RMB62.4 million increase in revenue of the New Energy Business during the Current Period.

#### *New Energy Business*

For the Current Period, the Group recognized revenue of RMB226.4 million (Corresponding Period: RMB164.0 million) from the New Energy Business segment, accounting for 99.8% (Corresponding Period: 99.9%) of the Group's total revenue. It was mainly attributable to the income of LNG supply, and the completion of a number of construction related and consultancy services in relation to the coal-to-gas heat supply in Tianjin during the Current Period.

#### *Property Investment*

During the Current Period, the Property investment segment recorded turnover of RMB0.4 million (Corresponding Period: RMB0.1 million).

#### Cost of Sales

The cost of sales for New Energy Business sharply increased to RMB146.8 million as compared to RMB64.1 million in the Corresponding Period. The increase mainly represented the cost incurred from diversifying of the New Energy Business to the supply of LNG during the Current Period.

#### Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin of the New Energy Business segment decreased from 60.9% for the Corresponding Period to 35.2%, due to the thinner gross profit margin of the LNG supply than the provision of construction related and consultancy services.

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

#### Other Gains and Losses

Other gains of RMB0.3 million were recorded in the Current Period compared to other gain of RMB0.1 million in the Corresponding Period, mainly due to increase of the net foreign exchange gain in the Current Period.

## **Administrative Expenses**

Administrative expenses decreased by 15.0% from RMB32.9 million for the Corresponding Period to RMB28.0 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 was RMB20.5 million (Corresponding Period: RMB26.3 million) from mainly the provision for enterprise income tax of subsidiaries in Tianjin.

## **Discontinued Operations**

On 30 April 2019, the Group completed disposal whole of its Catering Business through the disposal of certain subsidiaries (the "Disposal Group") to an independent third party at a cash consideration of RMB2.0 million. The buyer repaid the amount due from the Disposal Group to the Group of RMB0.4 million out of the consideration for the Disposal. A gain on the disposal was recorded RMB1.8 million. During the Current Period, the Disposal Group generated a total profit of RMB0.1 million as compare of total loss of RMB3.0 million in the Corresponding Period.

## **Non-controlling Interests**

Non-controlling interests increased by 1.8% from RMB6.9 million for the Corresponding Period to RMB7.0 million for the Current Period. This was mainly attributable to the increase in the net 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**

Net profit and total comprehensive income attributable to the owners of the Company recorded an decrease by 0.7% from RMB34.4 million for the Corresponding Period to RMB34.2 million for the Current Period. Basic and diluted earnings per share were RMB0.97 cents and RMB 0.96 cents, as compared to RMB0.98 cents and RMB0.97 cents in the Corresponding Period.

## PROSPECTS

Entering the last quarter of 2019, the Group is confident that the New Energy Business will continue to deliver stable growth. The Group is executing strategic plans to expand the business scope and scale of the LNG supply business. The Group's LNG supply business has been growing to be one of the key revenue drivers since late 2018. Therefore, the Group hope to seize further business expansion with extra efforts placed in LNG supply, not only at Tianjin, but also strive to reach out to any potential regions in the PRC. The Group will also proactively search for local and international LNG suppliers to achieve a diversified product portfolio. The Group plans to set up new joint ventures to reinforce LNG supply during the heat supply period and enhance our capability through mergers and acquisitions to cater to any future business needs.

The Group has signed a Memorandum of Understanding ("MOU") with Shanghai Jiulian Group (the "Jiulian Group") on cooperation in area of LNG in October 2019. Both parties cooperate to form a 60:40 Joint Venture ("JV") to co-explore end users market in Yangtze River Delta region for maximizing the edges of LNG resources of Jiulian Group while end users resources of the Group. This cooperation enables the Group to expand the scope of its LNG business, and secure the supply of LNG resources, and expand its business to the high potential market in the Yangtze River Delta region. The JV will be principally engaged in sale of LNG, engineering of LNG pipeline, sale, installation, maintenance of LNG delivery equipment, technology development, consulting and transfer of heating system, technology development of new energy, etc. Jiulian Group is a wholly owned subsidiary of Shenergy (Group) Co., Ltd. (the "Shenergy Group") which is a Top 500 enterprises in the People's Republic of China ("PRC") and a member company of State-owned Assets Supervision and Administration Commission of Shanghai ("Shanghai SASAC"). Shenergy Group is an investor and contractor for Shanghai's major energy infrastructure as well as supplier for major energy including electricity and gas. In 2018, the scale of its LNG operation reached 9 billion cubic meters, accounting for more than 90% of the market share in Shanghai.

Moreover, the Group always endeavors to maintain strong relationships with existing partners while eyeing on starting collaborative projects with new partners. We will fasten our pace to grasp any opportunities to expand the New Energy Business. Meanwhile, the long-term cooperation with our key partners to continue to aid in diversifying our business scopes and achieving a sustainable growth in profitability.

On the other hand, the Group intends to identify opportunities to develop its existing and new construction related and consultancy business, which is also one of the Group's major revenue of sources currently. With the complete disposal of the Catering Business, we aim to generate new working capital though different financing plans and by essential deployment of resources to the New Energy Business to further tap into further development synergies and expand into the new energy sector of the PRC, which we see quick expansion in recent years. Thus, the Group sees it as an excellent opportunity to extend our market coverage and enhance our business profile in order to turn into a leading integrated new energy service provider in the Greater China Region.

Last but not least, the Group will take a proactive approach to identify premier properties for investment opportunities and continue to own the current office premises for the best interest of our shareholders in the long run.



## CAPITAL STRUCTURE

During the Current Period, an aggregate of 30,008,000 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 30 September 2019, the Company had an aggregate of 3,540,976,000 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 share 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 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) respectively. The Company intended to use the net proceeds from the two placings as follows:

- (i) HK\$25,500,000 (equivalent to approximately RMB20,127,000) for any potential investment opportunities as identified by the Group; and
- (ii) HK\$86,649,000 (equivalent to approximately RMB68,511,000) as general working capital of the Group.

As at 30 September 2019, 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 2019, the Group has utilized approximately HK\$19,675,000 (equivalent to RMB16,200,000) out of the proceeds for potential investment, the establishment of a subsidiary in Tianjin in the second half of 2015.

The remaining net proceeds, being approximately HK\$5,825,000 (equivalent to RMB5,124,000), is expected to be fully utilized for potential investment opportunities as identified by the Group by 2023. The Group will continue to identify any further potential investment opportunities. Detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

## DIVIDENDS

The Board did not recommend the payment of any dividend for the Current Period (Corresponding Period: Nil). A final dividend in respect of the year ended 31 December 2018 of HK\$0.5 cents per ordinary share, in an aggregate amount of HK\$17,653,000 (equivalent to RMB15,519,000), has been approved by the shareholders of the Company at the annual general meeting of the Company held on 28 June 2019. The date of payment of final dividend was on 15 August 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 dollar. The Group's cash and bank deposits were denominated some in Hong Kong dollar, with some denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollar 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 hedging arrangements when appropriate and necessary. During the Current Period, the Group did not use any financial instruments for hedging purpose (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 4&10 to the condensed consolidated financial statements, there was no significant investment held, material acquisition or disposal of subsidiary and affiliated company during the Current Period. The Group has no plan for material investment or capital asset 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 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 share issued upon the exercise of option 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 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 339,584,000 (30 September 2018: 395,032,000), representing 9.6% (30 September 2018: 11.3%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/forfeited during the review period and outstanding as at 30 September 2019 are as follows:

|   | At<br>1 January<br>2019 | Granted<br>during<br>the period | Exercised<br>during<br>the period | Cancelled/<br>forfeited<br>during<br>the period | Outstanding<br>as at<br>30 September<br>2019 | Exercise period<br>(both dates inclusive) | Exercise<br>price | Closing price<br>immediately<br>before the<br>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>(2,240,000)</b>                | <b>-</b>  | <b>143,304,000</b>                           |   |                   |   |
| <b>Employees</b>                                |                         |                                 |                                   |   |  |   |                   |   |
|   | 3,200,000               | -                               | -                                 | -   | 3,200,000*                                   | 25 November 2014 to 24 November 2021      | 0.10125*          | 0.12125*  |
|   | 49,880,000              | -                               | (20,440,000)                      | (664,000)                                       | 28,776,000                                   | 9 June 2018 to 9 June 2024                | 0.289             | 0.28  |
|   | 49,880,000              | -                               | (2,000,000)                       | (664,000)                                       | 47,216,000                                   | 9 June 2019 to 9 June 2024                | 0.289             | 0.28  |
|   | 49,880,000              | -                               | -                                 | (664,000)                                       | 49,216,000                                   | 9 June 2020 to 9 June 2024                | 0.289             | 0.28  |
| <b>Total Employees</b>                          | <b>152,840,000</b>      | <b>-</b>                        | <b>(22,440,000)</b>               | <b>(1,992,000)</b>                              | <b>128,408,000</b>                           |   |                   |   |
| <b>Consultants</b>                              |                         |                                 |                                   |   |  |   |                   |   |
|   | 16,768,000              | -                               | (5,328,000)                       | -   | 11,440,000                                   | 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>73,200,000</b>       | <b>-</b>                        | <b>(5,328,000)</b>                | <b>-</b>  | <b>67,872,000</b>                            |   |                   |   |
| <b>Total All Categories</b>                     | <b>371,584,000</b>      | <b>-</b>                        | <b>(30,008,000)</b>               | <b>(1,992,000)</b>                              | <b>339,584,000</b>                           |   |                   |   |
| <b>Exercisable at the end<br/>of the period</b> |                         |                                 |                                   |   | <b>230,064,000</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 2019, 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 and/or any of 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                       | 501,000,000      | 14.15%   |
| Ms. Lin Min, Mindy | 2     | Interest of controlled corporation; and beneficial owner | 489,088,000      | 13.81%   |

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 53,000,000 Shares held by Front Riches Investments Limited, a company which is 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   | 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, as at 30 September 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 Corresponding Period.

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

As at 30 September 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 in ordinary shares and underlying shares of the Company

| 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      | –                           | 18.07%   |
| Mr. Song Zhi Cheng <sup>(Note 2)</sup>                | Interest of controlled corporation | 640,000,000      | –                           | 18.07%   |
| Smart Lane Global Limited <sup>(Note 3)</sup>         | Beneficial owner                   | 448,000,000      | –                           | 12.65%   |
| Uprise Global Investments Limited <sup>(Note 4)</sup> | Beneficial owner                   | 448,000,000      | –                           | 12.65%   |
| Blossom Merit Limited <sup>(Note 5)</sup>             | Beneficial owner                   | 219,112,000      | –                           | 6.19%  |
| Mr. Chan Tai Neng <sup>(Note 6)</sup>                 | Interest of controlled corporation | 219,112,000      | –                           | 6.19%  |

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 30 September 2017.
6. Mr. Chan Tai Neng is deemed to be interested in 219,112,000 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 security issued by the Group and the Company at any time. Save as disclosed above, as at 30 September 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 Current Period was the Company or any of its subsidiaries, or any of its subsidiaries or associated corporations, 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 had 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 “Corporate Governance 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, an executive Director and one of the independent non-executive Directors were unable to attend the Company’s annual general meeting held on 28 June 2019.

Save as disclosed above, the Directors are of the opinion that the Company and the Board 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 matter, 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 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 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  
**Zhonghua Gas Holdings Limited**  
**Chan Wing Yuen, Hubert**  
*Chief Executive Officer and Executive Director*

Hong Kong, 12 November 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.*

*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>.*