



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

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

2020 First Quarterly Report
二零二零年第一季度報告



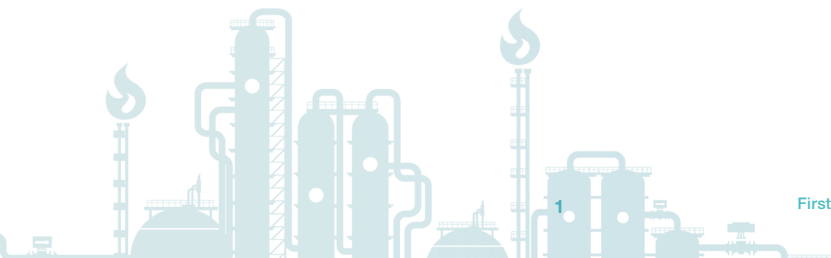
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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that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

Ms. Ma Lee
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Company Secretary

Ms. Chan Wai Yee

Compliance Officer

Mr. Chan Wing Yuen, Hubert

Board Committees

Audit Committee

Ms. Ma Lee (*Chairlady*)
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Remuneration Committee

Ms. Ma Lee (*Chairlady*)
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

Nomination Committee

Ms. Ma Lee (*Chairlady*)
Ms. Lin Min, Mindy
Mr. Lau Kwok Kee
Ms. Qin Xuwen

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

The board of Directors (the “Board”) of the Company announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2019 (the “Previous Period”) as follows:

Financial Highlights

	For the three months ended 31 March				(Decrease)
	2020		2019		
	RMB'000	HKD'000*	RMB'000	HKD'000*	
From continuing operations					
Revenue	68,636	75,122	97,408	113,558	(29.5%)
Gross profit ^(a)	2,643	2,893	25,376	29,583	(89.6%)
Profit and total comprehensive income for the period	3,993	4,370	14,542	16,953	(72.5%)
Profit and total comprehensive income attributable to owners of the Company	2,627	2,875	11,001	12,825	(76.1%)
EBIT	7,026	7,690	22,269	25,961	(68.4%)
EBITDA	9,708	10,625	24,961	29,100	(61.1%)
Earnings per share Basic and diluted	RMB0.07 cents	HK0.08 cents	RMB0.31 cents	HK0.36 cents	(77.4%)
From continuing and discontinued operations					
Revenue	68,636	75,122	110,224	128,499	(37.7%)
Gross profit ^(a)	2,643	2,893	28,218	32,897	(90.6%)
Profit and total comprehensive income for the period	3,993	4,370	14,819	17,276	(73.1%)
Profit and total comprehensive income attributable to owners of the Company	2,627	2,875	11,278	13,148	(76.7%)
EBIT	7,026	7,690	22,552	26,291	(68.8%)
EBITDA	9,708	10,625	25,336	29,537	(61.7%)
Earnings per share Basic and diluted	RMB0.07 cents	HK0.08 cents	RMB0.32 cents	HK0.37 cents	(78.1%)
Dividend	Nil	Nil	Nil	Nil	N/A

Key Financial Indicators

From continuing operations

Gross profit margin ^(b)	3.9%	26.1%
Net profit margin ^(c)	5.8%	14.9%

From continuing and discontinued operations

Gross profit margin ^(b)	3.9%	25.6%
Net profit margin ^(c)	5.8%	13.4%

Notes:

- 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 the exchange rate of RMB1=HK\$1.1658 on 31 March 2019 for reference.
- # Converted to HK\$ at the exchange rate of RMB1=HK\$1.0945 on 31 March 2020 for reference.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2020

	Notes	Three months ended 31.3.2020 RMB'000 (unaudited)	31.3.2019 RMB'000 (unaudited and restated)
Continuing operations			
Revenue	3	68,636	97,408
Cost of sales		(65,993)	(72,032)
Gross profit		2,643	25,376
Other income	3	11,036	5,682
Other gains and losses		(10)	11
Administrative expenses		(6,593)	(8,800)
Interest on lease liabilities		(50)	–
Profit before tax	4	7,026	22,269
Income tax expense	5	(3,033)	(7,727)
Profit and total comprehensive income for the period from continuing operations		3,993	14,542
Discontinued operation			
Profit and total comprehensive income for the period from discontinued operation	6	–	277
Profit and total comprehensive income for the period		3,993	14,819
Profit and total comprehensive income attributable to the owners of the Company:			
– from continuing operations		2,627	11,001
– from discontinued operation		–	277
Profit and total comprehensive income attributable to:			
– the owners of the Company		2,627	11,278
– non-controlling interest		1,366	3,541
		3,993	14,819
Earnings per share	7		
From continuing and discontinued operations			
Basic and diluted (RMB cents)		0.07	0.32
From continuing operations			
Basic and diluted (RMB cents)		0.07	0.31

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2020

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Share option reserves	Retained profits	Special reserve			
At 1 January 2020 (audited)	3,635	38,232	25,193	354,504	528	422,092	64,370	486,462
Profit and total comprehensive income for the period	-	-	-	2,627	-	2,627	1,366	3,993
Exercise of share options	10	2,987	(836)	-	-	2,161	-	2,161
Recognition of equity-settled share based payments (Note)	-	-	1,020	-	-	1,020	-	1,020
At 31 March 2020 (unaudited)	3,645	41,219	25,377	357,131	528	427,900	65,736	493,636
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

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

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2020

1. GENERAL INFORMATION

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") 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 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 Investment").

On 30 April 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 6. Since the Catering Business represents a major segment of business of the Group in Previous Period. The financial results contributed by the Catering Business are presented as results from discontinued operation in Previous Period and certain comparative amounts have been restated to show the discontinued operation separately from continuing operation.

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 2019 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 FROM CONTINUING OPERATIONS

	Three months ended 31.3.2020 RMB'000 (unaudited)	31.3.2019 RMB'000 (unaudited and restated)
Revenue		
New Energy Business	68,510	97,282
Property Investment	126	126
	68,636	97,408
Other income		
Rental and operation management service income	5,486	5,395
Government subsidy (Note)	5,517	–
Interest income	11	283
Others	22	4
	11,036	5,682

Note: During the Current Period, PRC subsidiaries received approximately RMB5,517,000 (Previous Period: Nil), subsidies given by the PRC government for encouragement of its New Energy Business. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Three months ended 31.3.2020 RMB'000 (unaudited)	31.3.2019 RMB'000 (unaudited and restated)
Profit before tax has been arrived after charging the following:		
Directors' and chief executive's emoluments	1,439	2,507
Salaries and other allowances	1,980	1,970
Retirement benefit scheme contributions, excluding those of Directors	309	200
Equity-settled share-based expenses, excluding those of Directors	722	1,709
Total staff costs	4,450	6,386
Depreciation of property, plant and equipment		
– included in cost of sales	2,583	2,583
– included in administrative expense	99	109
	2,682	2,692
Depreciation of right-of-use assets	640	–
Cost of inventories recognised as an expense	63,410	68,629

5. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	Three months ended	
	31.3.2020	31.3.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Enterprise income tax in the PRC:		
Current period income tax	3,033	7,727

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 enterprise income tax rate of 20%.

6. DISCONTINUED OPERATION

On 30 April 2019, the Group entered into a sale agreement to dispose Wealth Grade Limited and 上海富愷商務諮詢有限公司 ("Shanghai Fu Kai Commercial Consultation Company Limited"*), two 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 financial results contributed by the Catering Business are presented as results from discontinued operation in Previous Period and certain comparative amounts have been restated to show the discontinued operation separately from continuing operation.

* For identification purpose only.

6. DISCONTINUED OPERATION (Continued)

Results of discontinued operation is analyzed as follow:

	Three months ended	
	31.3.2020	31.3.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	-	12,817
Cost of sales	-	(9,974)
Gross profit	-	2,843
Other income	-	46
Other gains and losses	-	(3)
Administrative expenses	-	(1,565)
Selling and distributions	-	(1,039)
Profit before tax	-	282
Income tax expense	-	(5)
Profit for the period from discontinued operation and attributable to owners of the Company	-	277
Profit per share (Note)		
Basic and diluted (RMB cents)	-	0.01

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

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

	Three months ended	
	31.3.2020	31.3.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and other allowances	-	3,484
Retirement benefit scheme contributions	-	624
Total staff costs	-	4,108
Less: included in cost of sales	-	(3,026)
	-	1,082
Depreciation of property, plant and equipment		
- included in cost of sales	-	87
- included in administration expenses	-	5
	-	92
Cost of inventories recognised as an expense	-	4,230

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	
	31.3.2020	31.3.2019
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
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		
– From continuing and discontinued operations	2,627	11,278
– From continuing operations	2,627	11,001

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:

	31.3.2020	31.3.2019
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	3,588,835	3,510,968
Shares deemed to be issued in respect of:		
– Share options	33,509	44,281
Weighted average number of shares used in the calculation of diluted earnings per share	3,622,344	3,555,249

8. DIVIDENDS

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

9. RESERVES

Movement in the reserves of the Group during the three months ended 31 March 2020 and 2019 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 2020, the Group's New Energy Business continued to take up the most significant part of the total revenue. Due to the outbreak of the Novel Coronavirus Disease ("COVID-19") in early 2020, the Group's business has been adversely affected. The total revenue from continuing operations recorded during the Current Period was reduced to RMB68.6 million, representing a 29.5% decrease in revenue year-on-year, from RMB97.4 million. The gross profit ratio and net profit after tax dropped by 22.2% and 72.5% respectively comparing with those of the Previous Period. Profit attributable to the owners of the Company from continuing operations decreased by 76.1% to RMB2.6 million compared to the Previous Period.

The decrease in revenue, gross profit and net profit after tax of the Group was mainly caused by the outbreak of COVID-19 which led to the imposition of various travel and work restrictions by the relevant government administrations. All offices in Tianjin were temporarily closed for a short period. The majority of staff needed to work at home and only stayed in office when necessary. Some offices have resumed limited operations since early April. These measures unavoidably caused serious impact on the Group's normal business operations such as client meetings, contract negotiation and progresses on the completion of new projects. As a result, the only source of revenue earned for the first three months of this year was from the supply of LNG that has a thinner gross profit margin than that of construction related and consultancy works.

New Energy Business

The New Energy Business has been seriously affected by COVID-19 although it still contributed over 99.8% to the Group's total revenue during the Current Period. The only revenue from the New Energy Business was contributed by the supply of LNG.

Previously, the Group focused on strengthening its New Energy Business, especially in strengthening LNG supply during the heat supply period. Through diversifying its income streams, the Group has been able to drive a steady revenue growth in the New Energy Business. Yet, the impact of COVID-19 caused an obvious disruption to the Group's operations and total revenue in the first quarter and unfortunately, there were no new project from construction related and consultant work under COVID-19.

Regarding the latest development on LNG business, it was worth noting that the Group has signed a Memorandum of Understanding ("MOU") with Shanghai Jiulian Group (the "Jiulian Group") earlier to form a milestone 60:40 Joint Venture ("JV") to co-explore end users market in Yangtze and thus enabling the Group to secure stable 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"), one of the Top 500 enterprises in the PRC and a member company of State-owned Assets Supervision and Administration Commission of Shanghai. Shenergy Group is an investor and contractor for Shanghai's major energy infrastructure as well as supplier for major energy including electricity and gas.

On the other hand, the Group continued to maintain solid relationships with Tractebel Engineering S.A. and Tianjin Jinre Heat-Supply Group Co. Ltd in technological and infrastructure related business. Our subsidiary Tianjin Jin Re Natural Gas Sales Company Limited, which has two LNG stations in prime areas of Tianjin including the largest LNG storage tank in Tianjin, also generated stable income for the Group.

Property Investment

The Group owns two office premises on Beijing Road West, Jing An District, Shanghai, the PRC. During the Current Period, both premises continued to be on medium term lease and generated stable rental income for the Group.

FINANCIAL REVIEW

Continuing Operations

Revenue

For the Current Period, revenue of the Group amounted to RMB68.6 million, representing a decrease of 29.5% from RMB97.4 million for the Previous Period. The decrease was mainly attributable to a RMB28.8 million decrease in revenue of the New Energy Business during the Current Period due to outbreak of the coronavirus disease (COVID-19) in early 2020, leading to the imposition of various travel and work restrictions by the relevant PRC authorities which hindered the negotiation and completion of new projects and adversely affected the Group's operation.

New Energy Business

During the Current Period, the Group recognised a revenue of RMB68.5 million (Previous Period: RMB97.3 million) from the New Energy Business segment, accounting for 99.8% (Previous Period: 99.9%) of the Group's total revenue. The only revenue earned for the Current Period was from the supply of LNG.

Property Investment

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

Cost of Sales

The cost of sales for the New Energy Business amounted to RMB66.0 million (Previous Period: RMB72.0 million), mainly representing the cost incurred from 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 26.0% for the Previous Period to 3.7%, due to the only revenue from the supply of LNG which has low gross profit margin.

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

Other Gains and Losses

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

Administrative Expenses

Administrative expenses decreased by 25.1% from RMB8.8 million for the Previous Period to RMB6.6 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 decreased by 60.7% from RMB7.7 million for the Previous Period to RMB3.0 million for the Current Period, mainly due to the decreased in the provision for EIT of subsidiaries in Tianjin.

Discontinued Operation

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 note 6 to the condensed consolidated financial statements and the announcement of the Company dated 30 April 2019.

Non-controlling Interests

Non-controlling interests decreased by 61.4% from RMB3.5 million for the Previous Period to RMB1.4 million for the Current Period. This was mainly attributable to the decrease 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 RMB2.6 million, decreased by 76.7% from RMB11.3 million in the Previous Period. The basic and diluted earnings per share for the Current Period were both RMB0.07 cents, as compared with RMB0.32 cents for the Previous Period.

PROSPECTS

Since the outbreak of COVID-19, many countries are racing against the clock to contain its further spread. The epidemic has impacted numerous businesses and economies of different regions and industries around the world. The Group has been cautious in face of the adverse impact brought by the COVID-19 outbreak.

The Group expects that given the implementation of the aforementioned effective measures by the PRC authorities remains in place, the overall business and financial performance of the Group would continue to be adversely impacted to a certain extent in the second quarter but the extent would also depend on the duration of the epidemic, the implementation of regulatory policies and relevant protective measures. The Group will stay alert on the market and continue to assess its impact on the financial position and operation of the Group. The Group will also continue to keep a close watch on the development of COVID-19 while implementing timely measures to mitigate any possible business risks and minimize losses.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 8,440,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.289. As at 31 March 2020, the Company had an aggregate of 3,593,472,000 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).

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 mainly in RMB, while others were denominated in Hong Kong dollars. 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 the foreign exchange exposure. The Group managed its foreign exchange hedging arrangements when appropriate and necessary. During the Current Period, the Group did not use any financial instruments for hedging purpose (Previous 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 6 to the condensed consolidated financial statements, there was no other 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 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 31 March 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 285,944,000 (31 March 2019: 355,680,000), representing 8.0% (31 March 2019: 10.1%) 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 31 March 2020, 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 2020	Granted during the period	Exercised during the period	Cancelled/ Forfeited during the period	Outstanding as at 31 March 2020			
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
Ms. Ma Lee	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	137,632,000	-	-	-	137,632,000			
Employees	27,776,000	-	-	-	27,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	46,216,000	-	(8,440,000)	-	37,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	49,216,000	-	-	-	49,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	123,208,000	-	(8,440,000)	-	114,768,000			

	Number of share options					Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2020	Granted during the period	Exercised during the period	Cancelled/ Forfeited during the period	Outstanding as at 31 March 2020			
Consultants	5,328,000	-	-	-	5,328,000	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	33,544,000	-	-	-	33,544,000			
Total All Categories	294,384,000	-	(8,440,000)	-	285,944,000			
Exercisable at the end of the period					177,568,000			

* 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 2020, 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	544,184,000	15.14%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.61%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

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 96,184,000 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
Ms. Ma Lee	Beneficial owner	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 44,800,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.10125 per option share and 92,832,000 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 31 March 2020, 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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors since the date of annual report of the Company for the year ended 31 December 2019 are set out below:

With effect from 8 May 2020, Mr. Chan Wing Yuen, Hubert has retired as the independent non-executive Director and the member of the audit committee, appraisal committee and budget committee and chairman of nomination committee of Shanghai La Chapelle Fashion Co., Ltd. (Stock Code: 6116).

Saved as disclosed above, there is no other change in information of each director of the Company that is required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules.

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

As at 31 March 2020, 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	17.81%
Mr. Song Zhi Cheng ^(Note 2)	Interest of controlled corporation	640,000,000	17.81%
Smart Lane Global Limited ^(Note 3)	Beneficial owner	448,000,000	12.47%
Uprise Global Investments Limited ^(Note 4)	Beneficial owner	448,000,000	12.47%
Blossom Merit Limited ^(Note 5)	Beneficial owner	219,112,000	6.10%
Mr. Chan Tai Neng ^(Note 6)	Interest of controlled corporation	219,112,000	6.10%

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.
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 securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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.

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 2020, the Audit Committee has three members comprising all the independent non-executive Directors, namely Ms. Ma Lee (chairlady), Mr. Lau Kwok Kee and Ms. Qin Xuwen.

The 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, 12 May 2020

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 Ms. Ma Lee, Mr. Lau Kwok Kee and Ms. Qin Xuwen.