



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 Third Quarterly Report
二零二零年第三季度報告



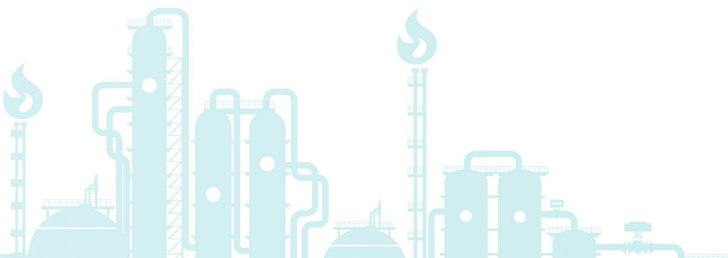
CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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



Corporate Information

Board of Directors

Executive Directors

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

Independent non-executive Directors

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

Company Secretary

Ms. Chan Wai Yee (resigned on 30 September 2020)
Mr. Lam Shun Yip (appointed on 30 September 2020)

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

ZHONGHUA GAS HOLDINGS LIMITED

Principal Place of Business in Hong Kong

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

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited

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

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited

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

Legal Advisers to the Company

Angela Ho & Associates
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Principal Bankers

The Hong Kong & Shanghai Banking Corporation Limited
Huaxia Bank
Shanghai Pudong Development Bank
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 announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2020 (the "Current Period"), together with the unaudited comparative figures for the nine months ended 30 September 2019 (the "Corresponding Period") as follows:

	Three months ended				(Decrease)	Nine months ended				(Decrease)
	30.9.2020		30.9.2019			30.9.2020		30.9.2019		
	RMB'000	HKD'000*	RMB'000	HKD'000*		RMB'000	HKD'000*	RMB'000	HKD'000*	
From continuing operations										
Revenue	10,795	12,285	15,692	17,396	(31.2%)	79,557	90,536	226,797	251,427	(64.9%)
Gross (loss) profit [¶]	(2,178)	(2,479)	12,656	14,030	(117.2%)	(1,992)	(2,267)	79,995	88,682	(102.5%)
(Loss) profit and total comprehensive (expense) income for the period	(18,539)	(21,097)	2,358	2,614	(886.2%)	(38,812)	(44,168)	41,082	45,544	(194.5%)
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(16,824)	(19,146)	1,641	1,819	(1,125.2%)	(36,236)	(41,237)	34,066	37,788	(206.3%)
(Loss) earnings before income tax	(23,757)	(27,035)	6,110	6,774	(488.8%)	(44,702)	(50,871)	61,607	68,298	(172.6%)
(Loss) earnings before income tax and depreciation allowance	(19,863)	(22,604)	9,429	10,453	(310.7%)	(35,451)	(40,343)	71,536	79,305	(149.6%)
(Loss) earnings per share										
Basic	RMB(0.47) cents	HK\$(0.53) cents	RMB0.05 cents	HK\$0.06 cents	(1,040.0%)	RMB(1.01) cents	HK\$(1.15) cents	RMB0.97 cents	HK\$1.08 cents	(204.1%)
Diluted	RMB(0.47) cents	HK\$(0.53) cents	RMB0.05 cents	HK\$0.06 cents	(1,040.0%)	RMB(1.01) cents	HK\$(1.15) cents	RMB0.96 cents	HK\$1.06 cents	(205.2%)
From continuing and discontinued operations										
Revenue	10,795	12,285	15,692	17,396	(31.2%)	79,557	90,536	241,714	267,964	(67.1%)
Gross (loss) profit [¶]	(2,178)	(2,479)	12,656	14,030	(117.2%)	(1,992)	(2,267)	82,702	91,693	(102.4%)
(Loss) profit and total comprehensive (expense) income for the period	(18,539)	(21,097)	2,358	2,614	(886.2%)	(38,812)	(44,168)	41,183	45,655	(194.2%)
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(16,824)	(19,146)	1,641	1,819	(1,125.2%)	(36,236)	(41,237)	34,187	37,900	(206.0%)
(Loss) earnings before income tax	(23,757)	(27,035)	6,110	6,774	(488.8%)	(44,702)	(50,871)	61,716	68,418	(172.4%)
(Loss) earnings before income tax and depreciation allowance	(19,863)	(22,604)	9,429	10,453	(310.7%)	(35,451)	(40,343)	75,127	83,286	(147.2%)
(Loss) earnings per share										
Basic	RMB(0.47) cents	HK\$(0.53) cents	RMB0.05 cents	HK\$0.06 cents	(1,040.0%)	RMB(1.01) cents	HK\$(1.15) cents	RMB0.97 cents	HK\$1.08 cents	(204.1%)
Diluted	RMB(0.47) cents	HK\$(0.53) cents	RMB0.05 cents	HK\$0.06 cents	(1,040.0%)	RMB(1.01) cents	HK\$(1.15) cents	RMB0.96 cents	HK\$1.06 cents	(205.2%)
Dividend	Nil	Nil	Nil	Nil	N/A	Nil	Nil	Nil	Nil	N/A

Key Financial Indicators	Three months ended				30.9.2019	Nine months ended				30.9.2019
	30.9.2020		30.9.2019			30.9.2020		30.9.2019		

From continuing operations										
Gross (loss) profit margin [¶]		(20.2%)		80.7%			(2.5%)		35.3%	
Net (loss) profit margin [¶]		(171.7%)		15.0%			(48.8%)		18.1%	

From continuing and discontinued operations										
Gross (loss) profit margin [¶]		(20.2%)		80.7%			(2.5%)		34.2%	
Net (loss) profit margin [¶]		(171.7%)		15.0%			(48.8%)		17.0%	

Notes:

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

* Converted to HK\$ at exchange rate of RMB = HK\$1.1380 on 30 September 2020 for reference

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

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

For the three months and nine months ended 30 September 2020

	Notes	Three months ended		Nine months ended	
		30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)
Continuing operations					
Revenue	3	10,795	15,692	79,557	226,797
Cost of sales		(12,973)	(3,036)	(81,549)	(146,802)
Gross (loss) profit		(2,178)	12,656	(1,992)	79,995
Other income	3	216	3,186	11,527	9,447
Other gains and losses		(157)	(127)	(133)	305
Administrative expenses		(4,313)	(9,548)	(17,335)	(27,980)
Impairment losses recognised in respect of trade receivables	4	(17,300)	–	(36,680)	–
Interest on lease liabilities		(25)	(57)	(89)	(160)
(Loss) profit before tax	5	(23,757)	6,110	(44,702)	61,607
Income tax credit (expense)	6	5,218	(3,752)	5,890	(20,525)
(Loss) profit and total comprehensive (expense) income for the period from continuing operations		(18,539)	2,358	(38,812)	41,082
Discontinued operation					
Profit for the period from discontinued operation	7	–	–	–	101
(Loss) profit and total comprehensive (expense) income for the period		(18,539)	2,358	(38,812)	41,183
(Loss) profit and total comprehensive (expense) income attributable to the owners of the Company:					
– from continuing operations		(16,824)	1,641	(36,236)	34,086
– from discontinued operation		–	–	–	101
(Loss) profit and total comprehensive (expense) income attributable to the owners of the Company		(16,824)	1,641	(36,236)	34,187
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interest:					
– from continuing operations		(1,715)	717	(2,576)	6,996
		(18,539)	2,358	(38,812)	41,183
(Loss) earnings per share	8				
From continuing and discontinued operations					
– Basic (RMB cents)		(0.47)	0.05	(1.01)	0.97
– Diluted (RMB cents)		(0.47)	0.05	(1.01)	0.96
From continuing operations					
– Basic (RMB cents)		(0.47)	0.05	(1.01)	0.97
– Diluted (RMB cents)		(0.47)	0.05	(1.01)	0.96

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2020

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 recognised 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)
At 30 September 2019 (unaudited)	3,586	22,610	29,396	344,470	528	400,590	61,746	462,336
At 1 January 2020 (audited)	3,635	38,232	25,193	354,504	528	422,092	64,370	486,462
Loss and total comprehensive expense recognised for the period	-	-	-	(36,236)	-	(36,236)	(2,576)	(38,812)
Exercise of share options	43	13,656	(3,970)	-	-	9,729	-	9,729
Recognition of equity-settled share based payments	-	-	1,821	-	-	1,821	-	1,821
At 30 September 2020 (unaudited)	3,678	51,888	23,044	318,268	528	397,406	61,794	459,200

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2020

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 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 7. Therefore the financial results contributed by the Catering Business during the Corresponding Period were presented as results from discontinued operation to show the discontinued operation separately from continuing operations.

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 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 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.

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impact to the global economy, business environment and directly and indirectly affect the operation of the Group. The imposition of various travel and work restrictions by the relevant authorities in the People Republic of China (“PRC”) hindered the negotiation and completion of new construction related and consultancy services projects and adversely affected the Group’s operation in the construction related and consultancy services. There was no revenue for construction related and consultancy services in Current Period and it was mainly attributed to travel and work restrictions. The outbreak of COVID-19 also resulted in the significant decrease in demand of LNG supply.

2A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT PERIOD (Continued)

The outbreak of the COVID-19 not only threatened the operations of many industries and businesses, but also adversely impacted the economic development in the PRC. In face of the slowdown in the economic growth in the PRC, the Group's increment in allowances for expected credit loss of trade receivables was recognised.

On the other hand, the PRC government and the Government of the Hong Kong Special Administrative Region have announced some financial measures and supports for corporate to overcome the negative impact arising from the pandemic. There was no significant impact on the financial positions and performance of the Group for the Current Period.

In addition, during the Current Period, its PRC subsidiaries received RMB5,562,000 subsidies from the PRC local government for encouragement of its New Energy Business, which has been recognised as other income during the Current Period.

3. REVENUE AND OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)
Continuing operations				
Revenue				
New Energy Business	10,672	15,566	79,182	226,419
Property Investment	123	126	375	378
	10,795	15,692	79,557	226,797
Continuing operations				
Interest income	9	40	23	194
Interest income from loan receivable from an independent third party	-	-	-	241
Government subsidy	279	-	5,981	-
Rental and operation management income	-	-	5,486	5,395
Accounts payable written off	-	3,154	-	3,154
Others	(72)	(8)	37	463
	216	3,186	11,527	9,447

4. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Impairment losses recognised in respect of trade receivables	17,300	–	36,680	–

Other than considering those significant events and transactions as disclosed in note 2A, the basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the nine months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

5. (LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss) profit before tax has been arrived after charging the following:				
Directors' emoluments	1,097	2,146	3,855	7,116
Salaries and other allowances	1,494	1,855	5,542	5,500
Retirement benefit scheme contributions, excluding those of Directors	136	219	450	631
Equity-settled share-based payments, excluding those of Directors	–	544	1,290	3,765
Total staff cost	2,727	4,764	11,137	17,012
Depreciation of property, plant and equipment	2,673	2,675	8,030	8,041
Less: included in cost of sale	(2,583)	(2,583)	(7,749)	(7,750)
	90	92	281	291
Depreciation of right-of-use assets	400	644	1,221	1,889
Cost of inventories recognised as an expense	10,390	–	73,800	125,463

6. INCOME TAX (CREDIT) EXPENSE

	Three months ended		Nine months ended	
	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)
Continuing operations				
Enterprise income tax in the				
PRC:				
Current tax	(837)	3,752	2,201	20,525
Under provision in prior period	-	-	5	-
Tax relief	(56)	-	(56)	-
Deferred taxation	(4,325)	-	(8,040)	-
	(5,218)	3,752	(5,890)	20,525

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 2020 and 2019.

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 2020 and 2019.

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. The PRC tax department also approved a tax relief and delay tax payment for "Small and low-profit Enterprises" in Shanghai district in year 2020.

7. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES

During the nine months ended 30 September 2019, the Group disposed Wealth Grade Limited and 上海富愷商務諮詢有限公司, 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.

During the nine months ended 30 September 2019, the loss for the period from discontinued operation in respect of Catering Business is analysed as follow:

	Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000 (audited)
Loss of Catering Business	(1,685)
Gain on disposal of Catering Business	1,786
Profit for the period from discontinued operation and attributed to owners of the Company	101
Revenue	14,917
Cost of sales	(12,209)
Gross profit	2,708
Other income	3
Other gains and losses	(256)
Administrative expenses	(2,076)
Selling and distributions	(1,252)
Impairment loss recognised in respect of property, plant and equipment	(303)
Interest on lease liabilities	(504)
Loss before tax	(1,680)
Income tax expense	(5)
Loss for the period from discontinued operation and attributed to owners of the Company	(1,685)

7. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES (Continued)

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

	Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000 (audited)
Salaries and other allowances	4,714
Retirement benefit scheme contributions	815
Total staff costs	5,529
Less: included in cost of sales	(3,880)
	1,649
Auditors' remuneration	7
Depreciation of property, plant and equipment	123
Less: included in cost of sales	(116)
	7
Depreciation of right-of-use assets	3,357
Cost of inventories recognised as an expense	4,856

8. (LOSS) EARNINGS PER SHARE

From continuing operations

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

	Three months ended		Nine months ended	
	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2019 RMB'000 (unaudited)
(Loss) profit for the period attributable to owners of the Company	(16,824)	1,641	(36,236)	34,187
Less: profit for the period from discontinued operation	-	-	-	101
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations	(16,824)	1,641	(36,236)	34,086

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

	Three months ended		Nine months ended	
	30.9.2020 '000	30.9.2019 '000	30.9.2020 '000	30.9.2019 '000
Weighted average number of shares used in the calculation of basic (loss) earnings per share	3,605,196	3,525,291	3,605,196	3,525,291
Shares deemed to be issued in respect of:				
- Share options	-	13,539	-	42,693
Weighted average number of shares used in the calculation of diluted (loss) earnings per share	3,605,196	3,538,830	3,605,196	3,567,984

The computation of diluted loss per share for the nine months ended 30 September 2020 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share from continuing operations.

8. (LOSS) EARNINGS PER SHARE (Continued)

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss) earnings				
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share				
(Loss) profit for the period attributable to owners of the Company	(16,824)	1,641	(36,236)	34,187

From discontinued operation

For the nine months ended 30 September 2019, basic earnings per share from discontinued operation is RMB0.000 per share and diluted earnings per share from discontinued operation is RMB0.000 per share, based on the profit for the period attributable to owners of the Company from discontinued operation of RMB101,000 and the denominators detailed above for both basic and diluted earnings per share.

9. DIVIDEND

No dividend was paid, declared or proposed in respect of the nine months ended 30 September 2020 and 30 September 2019. 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 an aggregate amount of HK\$17,653,000 (equivalent to RMB15,519,000) was paid.

10. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2020 and 2019 are set out in the condensed consolidated statement of the changes in equity on page 5.

11. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management of the Group during the period was as follows:

	Three months ended		Nine months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and other short-term employee benefits	1,059	2,405	3,742	7,006
Retirement benefit costs	36	55	113	110
	1,095	2,460	3,855	7,116

12. EVENT AFTER THE END OF THE REPORTING PERIOD

Convertible bonds

On 2 November 2020, the Company entered into a subscription agreement with New York Limited, a wholly owned subsidiary of Kai Yuan Holdings Limited (Stock Code: 1215) (the "Subscriber"), pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the convertible bonds issued by the Company under the general mandate in the aggregate principal amount of HK\$97,800,000 with 8% interest per annum (the "Convertible Bonds") (the "Subscription Agreement"). The Convertible Bonds are convertible into 362,222,222 new shares of the Company at an initial conversion price of HK\$0.27 per conversion share (subject to adjustments) upon full exercise of the conversion rights attaching to the Convertible Bonds. Completion of the subscription of Convertible Bonds is subject to the fulfilment or waiver of the conditions precedent as set out in the Subscription Agreement. The Company intends to apply the net proceeds as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group. The net proceeds are expected to be fully applied by 2023.

For further details, please refer to the announcement of the Company dated 2 November 2020.

Management Discussion and Analysis

BUSINESS REVIEW

For the Current Period, the Group recorded a total revenue of approximately RMB79.6 million, representing a decrease of approximately 64.9% comparing with that of the Corresponding Period. The New Energy Business contributed over 99% to the Group's total revenue. Net loss after tax amounted to RMB38.8 million, as compared to RMB41.2 million of net profit after tax for the Corresponding Period.

The revenue recorded a significant drop and the gross loss was also booked for the Current Period were mainly attributable to the overall decline of the revenue of the core business. The sustained negative impact of the Novel Coronavirus Disease ("COVID-19") pandemic has caused a dip in economic activities and brought far-reaching effects to the world economies. Since early 2020, the operating environment in the PRC has become more complicated and tough. The poor market conditions and intense cost competition in PRC market led to reduction in sales volume of LNG and further squeezed the LNG profit margin. During the Current Period, the Group had not secure any new project for the construction related and consultancy services in the New Energy Business. Due to poor market conditions, many companies were facing challenges and operating difficulties, the Group made an expected credit loss provision for the trade receivables for a total of RMB36.7 million in Current Period (Corresponding Period: Nil). As a result, the Group recorded a substantial loss attributable to owners of the Company of RMB36.2 million for the Current Period, as compared to a net profit of RMB34.2 million in the Corresponding Period.

On 2 November 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$97,800,000. The Company intends to apply the net proceeds as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group. Completion of the Subscription Agreement is subject to the fulfillment or waiver of the condition precedent as set out in the Subscription Agreement. As at the date of this report, the transaction in respect of the Subscription Agreement has not yet been completed.

New Energy Business

The Group is principally engaged in 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 LNG, coupled with trading of new energy related industrial products.

During the Current Period, the Group's New Energy Business was continually hit by the broad and unprecedented consequences of COVID-19. Although the PRC market has been gradually showing signs of recovery during the second half of the year, the market demand for integrated new energy products and services remained weak. The Group's LNG supply business was the single source of income for its New Energy Business during the Current Period, which commanded low gross profit margin. There was no new project secured from the construction related and consultancy services in relation to heat supply. In addition, the coal to gas conversion in Tianjin has almost reached a saturated level. The Group anticipated that the number of new projects will continue to drop in the near future.

The Group has been keen and active in exploring new business opportunities in different markets. Amid these challenging times, the Group deployed full efforts in mapping and setting up new LNG supply foothold and it put its toe in new market, Shanghai during the third quarter which not only extended the Group's geographical reach beyond its main base, but it is also expected to bring in revenue contribution in the last quarter of 2020.

Besides, trusted partnerships have played a key role in fostering the Group's business development these years. On top of the steady and well-established business connections with Tractebel Engineering S.A. from France and Tianjin Jinre Heat Supply Group Co. Ltd. ("TJR"), the Group's latest collaboration with Shanghai Jiulian Group Co., Ltd., a wholly-owned subsidiary of the Shanghai Shenergy Group, has also been an accomplishment. Though the new projects in Shanghai has been affected by the pandemic that delayed the project development, both parties kept on following through and expected to foster a joint venture in near future to aid in securing the supply of LNG resources and developing into the high potential market in the Yangtze River Delta region, which expands the income base and increases the Group's presence in new markets.

Property Investment

As at 30 September 2020, the Group owned two office premises on Beijing Road West, Jing An District in Shanghai. Both premises continued to be on medium term lease and the Group received stable rental income from the Property Investment segment.

FINANCIAL REVIEW

Continuing Operations

Revenue

For the Current Period, revenue from continuing operations of the Group amounted to RMB79.6 million, representing a significant decrease of 64.9% from RMB226.8 million for the Corresponding Period. The decrease was mainly attributable to RMB147.2 million decrease in revenue of the New Energy Business during the Current Period.

New Energy Business

For the Current Period, the Group recognised revenue of RMB79.2 million (Corresponding Period: RMB226.4 million) from the New Energy Business segment, accounting for 99.5% (Corresponding Period: 99.8%) of the Group's total revenue. It was mainly attributable to the income of LNG supply during the Current Period. The existence of COVID-19 resulted in the decrease in LNG supply volume and revenue and significantly affected the other New Energy Business, the Group had no construction related and consultancy service income in the Current Period.

Property Investment

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

Cost of Sales

The cost of sales for New Energy Business decreased to RMB81.5 million as compared to RMB146.8 million in the Corresponding Period. The decrease mainly represented the cost incurred from LNG supply decreased 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 35.2% for the Corresponding Period to gross loss of 3.0% for the Current Period, the decrease in LNG supply revenue with a thinner profit margin and the LNG sales revenue could not cover fixed direct cost during the Current Period.

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

Other Gains and Losses

Other loss of RMB0.1 million was recorded in the Current Period compared to other gain of RMB0.3 million in the Corresponding Period, mainly due to decrease of the net foreign exchange gain in the Current Period.

Administrative Expenses

Administrative expenses decreased by 38.0% from RMB28.0 million for the Corresponding Period to RMB17.3 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 and decrease in legal and professional fee and audit fee in the Current Period..

Income Tax Credit (Expense)

Income tax credit recorded was RMB5.9 million (Corresponding Period: income tax expenses RMB20.5 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin net off the effect of deferred tax asset provided on the loss of subsidiaries in Tianjin and the PRC tax department approved tax relief and delay tax payment in Shanghai district in year 2020.

Discontinued Operation

At the end of April 2019, the Group completed the disposal of its Catering Business through the disposal of two wholly-owned subsidiaries to an independent third party for a consideration of RMB2,000,000 (equivalent to approximately HK\$2,331,000). For further details, please refer to the note 7 to the condensed consolidated financial statements and the announcement of the Company dated 30 April 2019.

Non-controlling Interests

Non-controlling interests decreased by 136.8% from profit of RMB7.0 million for the Corresponding Period to loss of RMB2.6 million for the Current Period. This was mainly attributable to the net loss recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

(Loss) Profit and Total Comprehensive (Expense) Income Attributable to the Owners of the Company

Net (loss) profit and total comprehensive (expense) income attributable to the owners of the Company recorded a decrease by 206.0% from net profit of RMB34.2 million for the Corresponding Period to net loss of RMB36.2 million for the Current Period. Basic and diluted loss per share were both RMB1.01 cents for the Current Period, as compared to basic and diluted earnings per share were RMB0.97 cents and RMB0.96 cents in the Corresponding Period.

PROSPECTS

The last quarter of Year 2020 is expected to remain challenging. The performance of the Group's core business is expected to continue to be under tremendous pressure with the sluggish economic growth in the PRC, as well as the aggregate economic risks caused by the ongoing COVID-19 pandemic development. The Board expected that the pandemic will continue to adversely affect the overall performance of the Group in the fourth quarter given the uncertainties about its duration and intensity.

The Group is determined to strengthen the LNG supply through establishing new joint ventures and carrying out merger and acquisition to enhance business capability. While maintaining LNG supply business at its existing locations, the Group will continue to identify other domestic and overseas LNG suppliers outside Tianjin. In such turbulent times, the Group will adhere to a prudent approach and utilize resources on LNG supply more efficiently and effectively. The Group will also be devoted to looking into further business collaboration opportunities and seizing suitable new engineering projects in a bid to diversify its portfolio and income source.

Looking ahead, given the impact of the COVID-19 as well as political and economic tensions amongst countries around the world, many uncertain factors have been clouded the global economy. Despite this, the PRC's 14th Five-Year Plan will also bring more opportunities. The Group will remain vigilant and assess potential business risks, adopt stable measures and formulate timely adjustments based on business plans. The Group is ready to further develop the LNG supply in the regions other than Tianjin in the PRC. It is expected that as the market gradually recovers, the New Energy Business will be back on track immediately.

In this regard, the Group proposed to issue convertible bonds to raise funds, and at the same time to form strategic alliances with companies that have strong backgrounds that enable us to enhance our existing business model and maximize the interests of shareholders in our top agenda, as well as to develop a mutually beneficial business model with strong synergy effect and to grow with business diversification. Assuming the completion of issuance of the Convertible Bonds take place pursuant to the Subscription Agreement entered on 2 November 2020, the net proceeds are estimated to be HK\$97,500,000 which will provide an opportunity for the Group to strengthen its financial position and optimize its investor profile and capital base. It will also set a good foundation to foster further strategic alliance with the Subscriber. Thus, the Group is optimistic towards the prospects of the Group.

In the Property Investment segment, the Group will explore and pursue investment opportunities in high-yield properties while maintaining existing investment of all current office premises in order to maximize returns for shareholders.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 37,104,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.289. As at 30 September 2020, the Company had an aggregate of 3,622,136,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB, with some denominated in Hong Kong 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 7 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 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 257,280,000 (30 September 2019: 339,584,000), representing 7.10% (30 September 2019: 9.6%) 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 2020 are as follows:

	At 1 January 2020	Granted during the period	Exercised during the period	Cancelled/ forfeited during the period	Outstanding as at 30 September 2020	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
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	-	(5,000,000)	-	22,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	46,216,000	-	(18,440,000)	-	27,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	49,216,000	-	(10,000,000)	-	39,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	123,208,000	-	(33,440,000)	-	89,768,000			
Consultants								
	5,328,000	-	(3,664,000)	-	1,664,000	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	-	(3,664,000)	-	29,880,000			
Total All Categories	294,384,000	-	(37,104,000)	-	257,280,000			
Exercisable at the end of the period					257,280,000			

* 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 30 September 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	547,184,000	15.11%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	493,456,000	13.62%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

Notes:

- Mr. Hu Yishi ("Mr. Hu") 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. Mr. Hu is also deemed to be interested in 99,184,000 Shares held by Front Riches Investments Limited, a company which is 100% controlled by Mr. Hu.
- Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 23,056,000 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 30 September 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 Corresponding Period.

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

As at 30 September 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 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 ^(Note 1)	Beneficial owner	640,000,000	–	17.67%
Mr. Song Zhi Cheng ^(Note 2)	Interest of controlled corporation	640,000,000	–	17.67%
Smart Lane Global Limited ^(Note 3)	Beneficial owner	448,000,000	–	12.37%
Uprise Global Investments Limited ^(Note 4)	Beneficial owner	448,000,000	–	12.37%
Blossom Merit Limited ^(Note 5)	Beneficial owner	219,112,000	–	6.05%
Mr. Chan Tai Neng ^(Note 6)	Interest of controlled corporation	219,112,000	–	6.05%

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).

Other than as disclosed in note 12 to the condensed consolidated financial statements, during the Current Period, there was no debt security issued by the Group and the Company at any time.

Save as disclosed above, as at 30 September 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 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 has applied the principles and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules (the “Corporate Governance Code”) throughout the Current Period. The Board will continue to review regularly and take appropriate actions to comply with the Corporate Governance Code.

The Directors are of the opinions that the Company and the Board have 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 Corporate Governance Code 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 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 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 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.

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>.