



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

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

2021 First Quarterly Report  
二零二一年第一季度報告



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

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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

Mr. Lam Shun Yip

## 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

Angela Ho & Associates  
Conyers Dill & Pearman

## Auditor

RSM Hong Kong

## 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 announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2021 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2020 (the “Corresponding Period”) as follows:

## Financial Highlights

	For the three months ended 31 March				Increase/ (decrease)
	2021		2020		
	RMB'000	HKD'000*	RMB'000	HKD'000*	
Revenue	141,420	167,328	68,636	75,122	106.0%
Gross (loss)/profit <sup>(a)</sup>	(2,409)	(2,850)	2,643	2,893	(191.1%)
(Loss)/profit and total comprehensive income for the period	(50,188)	(59,382)	3,993	4,370	(1,356.9%)
(Loss)/profit and total comprehensive income attributable to owners of the Company	(45,105)	(53,368)	2,627	2,875	(1,817.0%)
(Loss)/earnings before income tax	(54,344)	(64,300)	7,026	7,690	(873.5%)
(Loss)/earnings before income tax and depreciation allowance	(50,777)	(60,079)	10,348	11,326	(590.7%)
(Loss)/earnings per share Basic and diluted	RMB(1.25) cents	HK(1.48) cents	RMB0.07 cents	HK0.08 cents	(1,885.7%)
Dividend	Nil	Nil	Nil	Nil	N/A
<b>Key Financial Indicators</b>	<b>2021</b>		<b>2020</b>		
Gross (loss)/profit margin <sup>(b)</sup>	(1.7%)		3.9%		
Net (loss)/profit margin <sup>(c)</sup>	(35.5%)		5.8%		

### Notes:

- (a) The calculation of gross (loss)/profit is based on revenue minus cost of sales.
- (b) The calculation of gross (loss)/profit margin is based on gross (loss)/profit divided by revenue.
- (c) 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 RMB1 = HK\$1.1832 on 31 March 2021 for reference.
- \* Converted to HK\$ at 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 2021

	Notes	Three months ended 31.3.2021 RMB'000 (unaudited)	31.3.2020 RMB'000 (unaudited)
Revenue	3	141,420	68,636
Cost of sales		(143,829)	(65,993)
Gross (loss)/profit		(2,409)	2,643
Other income	3	5,610	11,036
Other gains/(losses)		10,207	(10)
Allowance for impairment of trade receivables	4	(61,200)	–
Administrative expenses		(6,491)	(6,593)
(Loss)/profit from operations		(54,283)	7,076
Finance costs		(61)	(50)
(Loss)/profit before tax	5	(54,344)	7,026
Income tax credit/(expense)	6	4,156	(3,033)
(Loss)/profit and total comprehensive income for the period		(50,188)	3,993
(Loss)/profit and total comprehensive income attributable to:			
– the owners of the Company		(45,105)	2,627
– non-controlling interest		(5,083)	1,366
		(50,188)	3,993
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted (RMB cents)	7	(1.25)	0.07

# Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserves	Special reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2021 (audited)</b>	<b>3,678</b>	<b>50,935</b>	<b>23,998</b>	<b>-</b>	<b>224,015</b>	<b>302,626</b>	<b>51,923</b>	<b>354,549</b>
Loss and total comprehensive income for the period	-	-	-	-	(45,105)	(45,105)	(5,083)	(50,188)
<b>At 31 March 2021 (unaudited)</b>	<b>3,678</b>	<b>50,935</b>	<b>23,998</b>	<b>-</b>	<b>178,910</b>	<b>257,521</b>	<b>46,840</b>	<b>304,361</b>
<b>At 1 January 2020 (audited)</b>	<b>3,635</b>	<b>38,232</b>	<b>25,193</b>	<b>528</b>	<b>354,504</b>	<b>422,092</b>	<b>64,370</b>	<b>486,462</b>
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	-	-	1,020	-	-	1,020	-	1,020
<b>At 31 March 2020 (unaudited)</b>	<b>3,645</b>	<b>41,219</b>	<b>25,377</b>	<b>528</b>	<b>357,131</b>	<b>427,900</b>	<b>65,736</b>	<b>493,636</b>

# Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2021

## 1. GENERAL INFORMATION

Zhonghua Gas Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands on 8 September 2011 and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries of the Company are engaged in:

- (i) 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, coupled with trading of new energy related industrial products and liquefied natural gas (“LNG”) (“New Energy Business”); and
- (ii) the leasing of investment properties located in Shanghai, China (“Property Investments”).

## 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 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 2020 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

	<b>Three months ended</b>	
	<b>31.3.2021</b>	31.3.2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>		
New Energy Business	<b>141,298</b>	68,510
Property Investments	<b>122</b>	126
	<b>141,420</b>	68,636
<b>Other income</b>		
Rental and operating management service income	<b>5,367</b>	5,486
Government subsidies (Note)	<b>1</b>	5,517
Interest income	<b>4</b>	11
Others	<b>238</b>	22
	<b>5,610</b>	11,036

Note: During the Current Period, PRC subsidiaries received approximately RMB1,000 (Corresponding Period: approximately RMB5,517,000), 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. ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	<b>Three months ended</b>	
	<b>31.3.2021</b>	31.3.2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Allowance for impairment of trade receivables subject to expected credit loss model	<b>61,200</b>	–

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Current Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.



## 5. (LOSS)/PROFIT BEFORE TAX

	Three months ended	
	31.3.2021 RMB'000 (unaudited)	31.3.2020 RMB'000 (unaudited)
(Loss)/profit before tax has been arrived after charging the following:		
Directors' and chief executive's emoluments	977	1,439
Salaries and other allowances, excluding those of Directors	2,017	1,980
Retirement benefit scheme contributions, excluding those of Directors	286	309
Equity-settled share-based expenses, excluding those of Directors	-	722
<b>Total staff costs</b>	<b>3,280</b>	<b>4,450</b>
Depreciation of property, plant and equipment		
– included in cost of sales	2,583	2,583
– included in administrative expense	150	99
	<b>2,733</b>	<b>2,682</b>
Depreciation of right-of-use assets	834	640
Cost of inventories recognised as an expense	141,246	63,410

## 6. INCOME TAX (CREDIT)/EXPENSE

	Three months ended	
	31.3.2021 RMB'000 (unaudited)	31.3.2020 RMB'000 (unaudited)
Corporate income tax in the PRC:		
Current period income tax	-	3,033
Deferred tax	(4,156)	-
	<b>(4,156)</b>	<b>3,033</b>

### Hong Kong

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 Corporate Income Tax has been provided at a rate of 25% for both periods, except for a subsidiary eligible to be a "Small and Low-profit Enterprise" under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20%.

Pursuant to the PRC law on Corporate Income Tax, 10% withholding income tax will be levied on foreign investors for dividend distribution from foreign invested enterprises' profit earned after 1 January 2008. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applied.

## 7. (LOSS)/EARNINGS PER SHARE

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

	<b>Three months ended</b>	
	<b>31.3.2021</b>	31.3.2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	<b>(45,105)</b>	2,627
	<b>31.3.2021</b>	31.3.2020
	<b>'000</b>	'000
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>3,622,136</b>	3,588,835
Add: effect of dilutive potential ordinary shares arising from share options issued by the Company	-	33,509
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	<b>3,622,136</b>	3,622,344

The computation of diluted loss per share for the Current Period did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

## 8. DIVIDENDS

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

## 9. CONVERTIBLE BONDS

On 16 November 2020, the Group issued convertible bonds with a principal amount of HK\$97,800,000 (the “Convertible Bonds”), bearing interest at a coupon rate of 8% per annum payable semi-annually, at a consideration of HK\$97,800,000 to New York Limited, a company wholly owned by Kai Yuan Holdings Limited listed on the Main Board of the Stock Exchange (the “Subscriber”), of which Mr. Hu Yishi (the Executive Director of the Company) as a substantial shareholder having no control or significant influence and Ms. Lin Min, Mindy (the Executive Director of the Company and the spouse of Mr. Hu Yishi) as also deemed to be a substantial shareholder having no control or significant influence. The Subscriber has the option to convert the convertible bonds into ordinary shares of the Company on or after 16 November 2020 up to and including 16 November 2023 at an initial conversion price of HK\$0.27 per share, subject to adjustments from certain terms and conditions. Any convertible bonds not converted will be redeemed on 16 November 2023 at 100% of the principal amount.

The convertible bonds was designated and initially recognised as financial liabilities at fair value through profit or loss, and the valuations of which were performed by Avista Valuation Advisory Limited, an independent qualified professional valuer engaged by the Group to assist on the fair value determination as at 31 March 2021 using Binomial model.

The movement of the convertible bonds for the Current Period is as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
At 1 January (audited)	<b>96,420</b>	–
Fair value gain	<b>(10,216)</b>	–
Exchange difference	<b>346</b>	–
At 31 March (unaudited)	<b>86,550</b>	–

## 10. RESERVES

Movement in the reserves of the Group for both periods are set out in the condensed consolidated statement of changes in equity on page 5.

## 11. RELATED PARTY TRANSACTIONS

The remuneration of Directors and other members of key management of the Group for both periods were as follows:

	<b>Three months ended</b>	
	<b>31.3.2021</b>	31.3.2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Salaries and other short-term employee benefits	<b>945</b>	1,397
Retirement benefit costs	<b>32</b>	42
	<b>977</b>	1,439

# Management Discussion and Analysis

## BUSINESS REVIEW

For the Current Period, the Group's total revenue increased by 106.0% to approximately RMB141.4 million compared to the Corresponding Period. A net loss after tax of approximately RMB50.2 million was recorded as compared to a net profit after tax of approximately RMB4.0 million for the Corresponding Period, mainly due to (i) a decrease from gross profit margin of 4% for the Corresponding Period to gross loss margin of 2% for the Current Period, it is because of the intense price competition and price fluctuation of Liquefied Natural Gas (LNG) led to a thin profit margin and the gross profit could not cover the fixed cost; (ii) an allowance for impairment of trade receivables of approximately RMB61.2 million for the Current Period (the Corresponding Period: Nil). The decrease was offset by a fair value gain of convertible bonds of approximately RMB10.2 million (the Corresponding Period: Nil). Loss attributable to the owners of the Company was approximately RMB45.1 million, as compared to a profit attributable to the owners of the Company of approximately RMB2.6 million for the Corresponding Period.

During the Current Period, the impacts from the COVID-19 pandemic have not been settled and lingered into the first quarter of the year 2021. Although a limited number of client meetings and marketing activities were able to reactivate as scheduled, some business opportunities to meet new customers were yet to be fully resumed given a certain degree of precautionary measures remained in force. Despite the immense pressure from the LNG price competition, the Group's new LNG trading operation in Shanghai started to channel positive revenue to the Group.

### 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, coupled with trading of new energy related industrial products and LNG.

The revenue from this business segment accounted for 99% of the Group's total revenue. During the Current Period, the primary source of revenue from the New Energy Business was contributed by the LNG supply, from its headquarter Tianjin, and new business engine Shanghai, where a new LNG supply location has been set up since August 2020. The Group planned to take further advancement to build this new location into its major business hotspot through cautious implementation. Shanghai's LNG business contributed around one-third of revenue in the first quarter of 2021. Despite the rise in revenue, the increasingly fierce LNG price competition dragged down the overall gross profit from the LNG supply business.

While the market condition stayed sluggish under the continuous impacts of COVID-19, there was no new project from the construction related and consultancy services in the New Energy Business. The coal to gas conversion in Tianjin district has also saturated and the Group anticipated that future new project will continue to decrease.

Meanwhile, the business relationship with Tianjin Jinre Heat-Supply Group Co. Ltd and Tractebel Engineering S.A. from France remained solid. The Group agreed to form a joint venture with Shanghai Julian Group, the wholly-owned subsidiary of the Shanghai Shenergy Group, also will aid in strengthening the Group's LNG supply and covering more potential markets in Yangtze River Delta region.

### Property Investments

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 held for investment purpose and generated stable rental income on medium term lease for the Group.

## FINANCIAL REVIEW

### Revenue

For the Current Period, revenue of the Group amounted to approximately RMB141.4 million, representing an increase of 106.0% from approximately RMB68.6 million for the Corresponding Period. The increase was mainly attributable to the increase in revenue of approximately RMB72.8 million from New Energy Business during the Current Period with a new LNG supply location in Shanghai during the third quarter of 2020.

### Cost of Sales

The cost of sales for the New Energy Business amounted to approximately RMB143.8 million (Corresponding Period: approximately RMB66.0 million). The increase mainly represented the cost increased in LNG supply during the Current Period.

### Gross (Loss)/Profit Margin

Gross (loss)/profit represents revenue less cost of sales. Gross profit margin of the New Energy Business segment decreased from 4% for the Corresponding Period to gross loss margin of 2% for the Current Period, mainly due to the intense price competition and price fluctuation of LNG led to a thin gross profit margin which could not cover the 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 gains of approximately RMB10.2 million were recorded in the Current Period as compared to other losses of approximately RMB0.01 million in the Corresponding Period, mainly due to the fair value gains of Convertible Bonds of approximately RMB10.2 million recognised in the Current Period (Note 9).

### Administrative Expenses

Administrative expenses decreased by 1.5% from approximately RMB6.6 million for the Corresponding Period to approximately RMB6.5 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 which vested in June 2020.

### Income Tax Credit/(Expense)

Income tax credit recorded was approximately RMB4.2 million (Corresponding Period: income tax expenses approximately RMB3.0 million). It was derived from the effect of deferred tax asset provided on the allowance for impairment of trade receivables.

### Non-controlling Interests

Non-controlling interests decreased by 472.1% from profit attributable to non-controlling interest of approximately RMB1.4 million for the Corresponding Period to loss attributable to non-controlling interest of approximately RMB5.1 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 Comprehensive Income Attributable to the Owners of the Company**

(Loss)/profit and total comprehensive income attributable to owners of the Company recorded a decrease by 1,817.0% from profit of approximately RMB2.6 million for the Corresponding Period to loss of approximately RMB45.1 million for the Current Period.

Basic and diluted loss per share for the Current Period were both RMB1.25 cents, as compared to basic and diluted earnings per share of RMB0.07 cents for the Corresponding Period.

## **PROSPECTS**

Approaching the second quarter of 2021, the Group is ready to take on the challenges to enlarge its LNG supply network in other new districts of the PRC. Eyeing on establishing new joint ventures and seizing new collaborations with other LNG key suppliers, the Group is looking forward to partnering with new stable suppliers and facilitating the growth in LNG supply business. The Group also aims to venture into other overseas markets such as Europe to extend its market foothold.

Looking ahead, the Group will continue to remain focused on developing its New Energy Business. Apart from the progress of development in adding the LNG supply point in Shanghai, the Board believes that with the vigorous growth potentials in the New Energy Business sector in the PRC, as well as the Group's diversified business scopes and well-established market position, the Group will be able to secure further business opportunities for existing and new projects in order to create additional revenue streams. The Group will stay vigilant on the latest market changes while executing relevant measures to explore deeper into the New Energy Business. Furthermore, the Group will properly utilize the capital generated from the 3-year Convertible Bonds issued in late 2020 to enhance its current business and support any new development.

## **FUNDRAISINGS THROUGH ISSUANCE OF CONVERTIBLE BONDS**

On 16 November 2020, 3-year Convertible Bonds were issued by the Company to the Subscriber under the general mandate pursuant to the Subscription Agreement dated 2 November 2020 entered into between the Company and the Subscriber. The Convertible Bonds can be converted into shares of the Company at an initial conversion price of HK\$0.27 per conversion share (subject to adjustment), during the conversion period of 3 years from 16 November 2020. Upon exercise of the conversion rights attached to the Convertible Bonds in full, 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 adjustment), representing approximately 10% of the existing issued share capital of the Company on 16 November 2020.

The Board considers that the Subscription (as defined in the announcement of the Company dated 2 November 2020) represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group potentially. The Directors are of the view that the Subscription is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

As at 31 March 2021, no Convertible Bonds have been converted into new conversion shares of the Company.

For further details, please refer to the announcements of the Company dated 2 November 2020 and 16 November 2020 published on the websites of the Company and the Stock Exchange.

## USE OF PROCEEDS

On 16 November 2020, the Company has issued the Convertible Bonds to New York Limited under general mandate. The net proceeds from the issue of the Convertible Bonds are approximately HK\$97.5 million (equivalent to approximately RMB82.7 million). The Company intends to use 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.

As at 31 March 2021, the Company has utilized approximately HK\$16.0 million (equivalent to approximately RMB13.6 million) for general working capital of the Group and approximately HK\$15.4 million (equivalent to approximately RMB13.0 million) for enhancement of the existing business of the Group.

The intended and actual use of proceeds from the issuance of Convertible Bonds up to 31 March 2021 is set out as follows:

<b>Net proceeds raised</b>	<b>Proposed use of proceeds</b>	<b>Utilised proceeds up to 31 March 2021</b>	<b>Unutilised proceeds up to 31 March 2021</b>	<b>Expected timeline for use of unutilized proceeds</b>
approximately HK\$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB13.6 million	approximately RMB27.8 million	By 2023
	(ii) enhancement of the existing business of the Group (50%)	approximately RMB13.0 million	approximately RMB28.3 million	By 2023

## CAPITAL STRUCTURE

During the Current Period, no shares was issued and allotted. As at 31 March 2021, 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 RMB, with some 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 (Corresponding Period: Nil).

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

There was no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Period.

There is no plan for material investments or capital assets as at 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 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 257,280,000 (31 March 2020: 285,944,000), representing 7.1% (31 March 2020: 8.0%) 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 Current Period and outstanding as at 31 March 2021, are as follows:

Number of share options								
	At 1 January 2021	Granted during the period	Exercised during the period	Cancelled/ forfeited during the period	Outstanding as at 31 March 2021	Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
<b>Directors</b>								
Mr. Hu Yishi	2,880,000	-	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	-	-	-	22,400,000*	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	-	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	-	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	-	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	-	-	-	22,400,000*	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	-	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	-	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
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
<b>Total Directors</b>	<b>137,632,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,632,000</b>			
<b>Employees</b>								
	22,776,000	-	-	-	22,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	27,776,000	-	-	-	27,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	39,216,000	-	-	-	39,216,000	9 June 2020 to 9 June 2024	0.289	0.28
<b>Total Employees</b>	<b>89,768,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,768,000</b>			
<b>Consultants</b>								
	1,664,000	-	-	-	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
<b>Total Consultants</b>	<b>29,880,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,880,000</b>			
<b>Total All Categories</b>	<b>257,280,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,280,000</b>			
<b>Exercisable at the end of the period</b>					<b>257,280,000</b>			

\* Adjusted by share subdivision on 20 May 2016.

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

At 31 March 2021, 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 31 March 2021, 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 31 March 2021, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

### Long position in ordinary shares and underlying shares of the Company

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited <sup>(Note 1)</sup>	Beneficial owner	640,000,000	-	17.67%
Mr. Song Zhi Cheng <sup>(Note 2)</sup>	Interest of controlled corporation	640,000,000	-	17.67%
Smart Lane Global Limited <sup>(Note 3)</sup>	Beneficial owner	448,000,000	-	12.37%
Uprise Global Investments Limited <sup>(Note 4)</sup>	Beneficial owner	448,000,000	-	12.37%
Blossom Merit Limited <sup>(Note 5)</sup>	Beneficial owner	219,112,000	-	6.05%
Mr. Chan Tai Neng <sup>(Note 6)</sup>	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).

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 2021, 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.

## **CORPORATE GOVERNANCE**

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 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 2021, 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, 14 May 2021

*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>.*